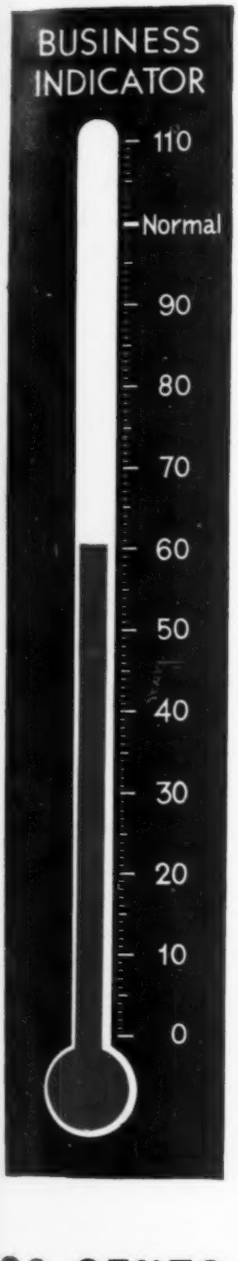
THE BUSINESS WEEK

JUNE 7, 1933



Cheerfulness, born so recently, is picking up weight, being fed both by markets and by factories. It may yet become a sturdy child. . . . Enthusiasm is unabated in major industries as production schedules steadily expand. Steel has reached the highest level in 2 years. . . . Passenger car sales continue to support prevailing production schedules. In fact, manufacturers have assembled more passenger cars this spring than last year, while setting a more moderate pace for commercial cars. . . . Miscellaneous steel customers and tin plate makers continue to recall employees as orders accumulate. New England is using 11% more electric power now than last year to supply textile and shoe plants. . . . Soft coal output appears to have passed its customary spring low, starting upward without brushing 1932's depths. . . . Freight movement is holding steady, and above last May, though one major group—l.c.l.—still lags. . . . Revival in Detroit is startling, measured by the volume of business transactions covered by checks. Currency is flowing back to the banks, possibly via the postal savings route. . . . Wholesale commodity markets are boiling, particularly in grains, hides, copper, and tin. So far, retail markets have shown but minor reverberations of the clamor in primary markets, but the stability of retail food prices may be significant.

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JUNE 7, 1933

Simple Codes First

Tax provisions for public works may be changed, but not Industrial Recovery section. Business men told to go slow, put wages first, draw simple rules for a beginning.

WASHINGTON—Such battle as develops over the Industry Recovery Bill will center on the tax provisions of the public works section. The bill will pass, and before the June 10 adjournment date of which Administration leaders talk, whether they really hope to achieve it or not. Its industrial features will not be changed materially, even though a little opposition has developed. Industries can make their plans accordingly, and all their organizations are advising them to get busy, rejuvenate their trade associations if they need it, formulate programs, and prepare to regulate their conduct under the new dispensation.

Taxation is another story. The House was so anxious to avoid a general sales tax that it was driven to hard expedients. One of them was ¾¢ a gallon more on gasoline. That passed the House 324-76, but when the public heard about it, a howl went up that may yet wreck the Ways and Means Committee's tax program. Senators are hearing from constituents in vigorous terms. The Senate may substitute a sales tax for the levies in the bill.

Sales Tax Preferred

Secretly, a majority of the House believes that would be a good move. Every member of the Cabinet prefers a sales tax under present conditions. The question now is the not very simple one of which will rouse the less resentment—the new gasoline taxes and income taxes, or the sales levy.

Meanwhile, Washington hotels rejoice and Cabinet members groan over the wild rush of business men to the capital to find out about the new industrial plan. They want to know everything, but mostly how to punish the rascal who has been cutting prices in their industry, and how to fix some nice new prices.

This is what they learn, if they finally get to one of the harassed and overworked officials who really know what it is all about:

There are no detailed blueprints as yet; merely an architect's rough sketch.

No doubt, somebody will be deputized to turn out one of the new codes of fair practice which will serve as a working model. It is likely that he is at work right now. But no such thing is available as yet.

Obviously, the industries which employ the most people will get the first attention. The hairnet industry will have to wait until steel, coal, lumber, and other huge basic groups have straightened away and got started.

The idea is to increase (1) the total volume of wages, and (2) individual wages, in that order. These things are first and last. This cannot be too strongly emphasized. If and as control of competition, control of production, and eventually price agreements are tolerated, it is because the government knows that re-employment at better wages can only be had through stability of prices and through profitable business operations.

Corollary: codes at first will be simple, dealing with the essentials of wages, hours of employment, total hours of operation.

The public works program is an essential part of it all. That is where a beginning is to be made in supplying the purchasing power which is to absorb the output of industries. Re-employment in industries will progressively supply more purchasing power. So will boosted farm incomes. That, and not political expediency or legislative tactics, was the reason for wrapping the two things up in one huge package.

And if the eager visitor presses further—often he doesn't, being interested mostly in next week—he is told that no one in this Administration thinks 2 years is going to end this epochal experiment in abandoning *laissez faire* and turning to a planned economy.

Against Extremes

The Administration views with distaste the extremes of regulating everything, to the last collar button, as in Russia. It is confident America will never stand for that. It is equally confident the dog-eat-dog scheme of things is dead forever in this country.

It contemplates the appalling dif-

Globe

LAWN CABINET—Professor Felix Frankfurter of Harvard (left) Brain Trustee without portfolio, and Budget Director Douglas in a very informal conference under the White House elms.

ficulties of industry planning in all its complexities; it see plenty of troubles ahead, down the new road. But, as one spokesman drily remarked, he heard somewhere a rumor that there was some little trouble under the free competitive "system."

Inner Administration circles are somewhat amused—in complete privacy—over the excited concern of gentlemen who point with alarm to the fact that increased wages, higher prices for raw materials, higher prices for finished goods, will open our market to a flood of imports, and further restrict exports.

Higher wages and prices in what? they ask. The obvious answer is "in dollars." To which the retort is, "Today's dollars, or tomorrow's?"

More Associations Step Out

Further action by many industries eager for government control—Problems of coordination rise.

SOME of the practical operating problems which will be met in the organizing of industry control under the impending Industrial Recovery Bill are beginning to poke their heads up out of the welter of ideas and enthusiasms and look solemnly around.

The American Trade Association Executives, Inc., and the U. S. Chamber of Commerce are trying to crystallize viewpoint and purpose, to facilitate cooperation with the government when the time comes. The Chamber, the National Association of Manufacturers, the Congress of Industries, the National Industrial Conference Board, the National Association of Commercial Organization Secretaries, and the A.T.A.E., at present all have a relationship to trade association work and are sources of influence and information. Some way must be arranged to coordinate their functions. To this end the U. S. Chamber has called a meeting of representatives of several of these groups.

To preserve all the present resources of knowledge and experience and synchronize them with the new machinery of administration, will be a delicate operation.

Meanwhile, many more associations have announced their interest in the new program.

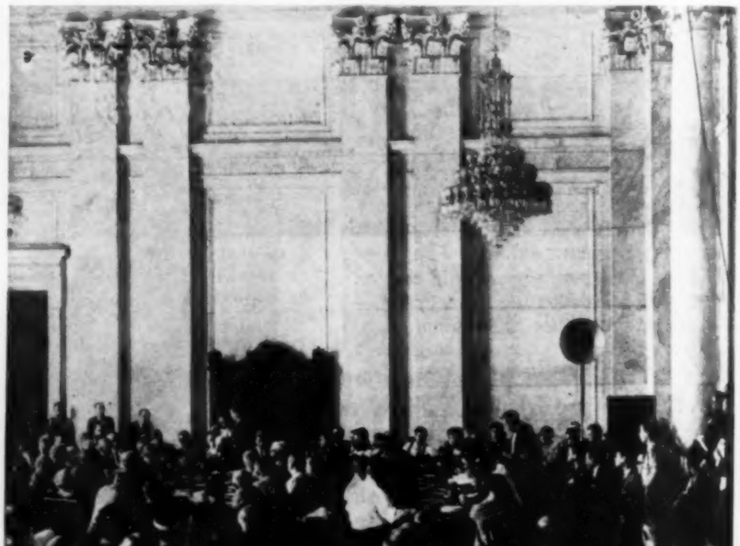
Under the leadership of the Independent Retail Tobacconists Association, plans are under way to organize all units of the tobacco industry, with the manufacturers, dealers, and the American Federation of Labor participating. Manufacturers representing $300 millions of capital and 85% of the industry are involved. A central board will be formed along the lines proposed by President Roosevelt.

The Drug Institute of America has been organized to unite all branches of the drug industry in an effort to end destructive competition and to pay fair wages. The membership is far-reaching, embracing manufacturers of pharmaceutical drug and chemical products, cosmetics, toilet articles, and other lines generally handled by drug stores, and also wholesalers and dealers, both chain and independent.

The Drug Institute expects to speak for the $2,000-million drug industry and will work to maintain a high standard of products, control overproduction, sustain fair products and fair wages, eliminate uneconomic competition and demoralization of prices, and protect the public in its purchases. It will undertake the study of merchandising trends, public health and legislation, conduct a census of manufacturing and distribution, and develop research, uniform accounting, and statistics. Its program is highly developed. Wheeler Sammons will head the Institute.

The American Iron and Steel Institute has announced it will act for its industry in the development of a code of fair competition to be used under the industry control bill. The presidents of all producing companies met; but it is considered vital to the progress of organized control in the steel industry that all imports be halted and the Institute will support the amendment to that effect pending in the Senate.

In the food field, the Associated Grocery Manufacturers of America, the American Wholesale Grocers Association, the National Wholesale Grocers Association, and the Coffee Industries of America are now drawing plans for a recovery program. The National Wholesale Grocers Association has been in conference with the Department of Commerce to discuss the course which it will follow to correct present uneconomic practices in that industry. The Evaporated Milk Association, the American Food and Vegetable Shippers Association, the Corn Canners Institute, the American Association of Creamery Butter Manufacturers, as well as 17 associations of wheat growers, have taken preparatory steps. The National Canners Association has offered its facilities to the entire canning industry to assist any of the commodity groups that may wish to come under the provisions of the law. The Associated Coffee Industries is preparing to act for the entire field.



Acme

WASHINGTON MERRY-GO-ROUND—Crowds, cops, and photographers turn the Senate hearing room into a "circus," according to crotchety Senator Glass, lacking only "pink lemonade and peanuts." At the left, the Senate sub-committee, with Morgan testifying, Pecora questioning. At the right, newspapermen, photographers, amplifiers.

Acme

IN CONFERENCE—J. P. Morgan and John W. Davis, his counsel, hold a whispered consultation during the Senate hearings. Photographers, old enemies of all the Morgans, have their innings these days, have taken more pictures since the hearings began than in all the years before.

Morgan & Co.

Most important effect of the Washington "circus" will be in the "upper brackets" taxes.

WASHINGTON—Tremendous popular reaction to the disclosure that the Morgan partners paid no incomes taxes for 1931 and 1932, although paying income taxes in England, has resulted in a drive to revamp the income tax law, eliminating the long-disputed capital gains and losses sections.

It has made substitution of the sales tax for the new proposed increases in income taxes possible, though even yet not probable.

It has effectively killed all hope of small private bankers to eliminate the section of the Glass Banking Bill, now in conference, forbidding private banks doing an investment business to accept deposits.

Smeared by Testimony

And it has smeared with suspicion at least, tending to destroy their usefulness in public service, Secretary Woodin, special ambassador Norman H. Davis, and half a dozen others.

Even more curious, it has, for the first time in a long career bristling with extreme irascibility and displays of intolerance and short temper, brought Senator Carter Glass of Virginia under fire. Glass's caustic comments on the committee counsel, Pecora, and his denunciation of the whole performance as a "circus lacking only peanuts and pink lemonade," seems to have struck as almost suspicious not only the outlying country, which is not so surprising, but Washington itself, which is hard to understand.

The truth is, of course, that Glass has always been that way. He was that way in the old days when, as chairman of the House Banking and Currency Committee, he helped frame the Reserve Act. He was that way in 1928, when he inquired sarcastically if the people had expected "Hoover to eat all that food Woodrow Wilson sent to Belgium and Central Europe," but for some reason everyone is amazed at him. There are even rumors to explain his conduct. One is that his name is on some of the lists of preferred customers of Morgan not yet made public. Another is that age is telling on him at last.

Actually Glass's attitude could have been prognosticated by anyone who has watched him very long and known him. He took precisely the same attitude last spring, and made just as sarcastic comments during the stock exchange investigation—and for much the same reason. He wanted action on his banking reform bill and he felt the time of the committee was being wasted for a Roman holiday.

Moreover, two of his close friends, Leffingwell and S. Parker Gilbert, are Morgan partners. He told Roosevelt he wanted them for his assistants if he was appointed secretary of the treasury. They worked under him when he had that post before. He trusts them. Therefore, to his mental processes, it is silly to waste the government's time and money investigating them.

More Annoyances

Glass also was excessively annoyed at the income tax feature of the investigation. He knew, as virtually everyone in banking circles who had given a moment's thought to it did, that if the Morgans had not written off enough losses to prevent income tax payments in the years just past, they were just foolish.

But the most important factor of all is that Glass is, and always has been, intolerant of anything that seemed to interfere with his particular object at the moment, and to have the Banking and Currency Committee all steamed up about something else at the very time his bank reform bill is on the floor just gets his goat.

Finally, Glass is a Virginia aristocrat, though he lacks the tolerance and urbanity supposed to go with it. And this young Italian immigrant heckling the loved and revered partner of two of his best friends does not sit at all well with him.

The investigation has actually resulted in prolonging the stay of William H. Woodin in the Cabinet. He was all slated to go, just as soon as Lewis Douglas got through his chore of straightening out the budget and reorganizing the government departments. That will happen eventually anyhow, but the President is loath to push an old friend out while he is under fire.

The International Aspect

Naturally, also, the investigation has poured oil on the fire William Randolph Hearst is burning to prevent closer participation by America in European affairs. Not only because the Morgans represent so many European nations and interests, and are regarded as the heart of the "international banker" group so denounced by isolationists, but also because Norman H. Davis' name was on the preferred list.

Glass is partly right; it has been a circus, and is likely to add rings as the committee goes on through the other big investment houses. But the committee is not exactly responsible for the tabloid headlines. There is a seri-

ous enough purpose behind it all, as the President recognized when he indicated his entire approval of the investigation and encouraged its continuance.

It is plain enough that the income tax laws are defective. How shall Congress know wherein to amend them unless it develops full information as to how they have worked in the upper brackets?

Nothing is more important to business—not even deposit banking—than the investment market. The securities bill just made law cures certain abuses. But does it go far enough?

Treating All Alike

It is entirely probable that the Morgan code of business is higher than that of many other investment houses. But to avoid charges of favoritism, it is proper for Congress to ask the same questions of all private bankers. Perhaps the Morgan house will show up better than others; perhaps not. The attitude of the Morgan partners on the stand seems to indicate they are willing to abide by the result.

A cry of anguish ascended to high heaven when millions of white collar workers discovered that they had been nicked for a considerable percentage of their earnings for 1930 and 1931 when J. P. Morgan and partners had paid no income tax at all. Yet that is the fault of the law, not of Mr. Morgan. Be it said that wealthy men protested the capital gains and losses provisions of the income tax law back in the boom years. Nobody listened then.

Congressmen — both Representatives and Senators—are a little bit bewildered, as they will explain in private, that the daily press has let them off so easily on this count. The law had holes through which any competent attorney could drive a team and hayrack.

The government's own official attitude is that it wants nothing in taxes that can be legally avoided. Any individual, then, who pays unnecessary taxes is merely stupid. Among all the charges and innuendoes that have been flung about, not one yet accuses the Morgan outfit of stupidity.

Reorganization Figures

In 1930, the Morgan firm paid $11 millions in income taxes, on revenue from 1929. In 1931, the firm collectively paid only $48,000 for 1930 income. In 1932 and for 1933, nothing is due the government.

This traces back to the capital gains and losses provision. The Morgans formed a new partnership Jan. 2, 1931. The old firm sold its assets to the new —a clean sheet for the new partner, S. Parker Gilbert. Between Dec. 31, 1930 and Jan. 2, 1931, the partnership wrote off, as was its right, the difference between cost of securities held and sales price (market value). The shrinkage was $21 millions.

MONEY MANAGER—There are admittedly few Americans who are expert in the business of international finance. One of the greatest is Oliver Mitchell Wentworth Sprague, Harvard professor, adviser to the Bank of England, often consulted by the Treasury. As Executive Assistant to the Secretary of the Treasury, he will pilot his own country through the dangerous channels of the international conference. He is an authority on central banking; his study of the Panic of 1907 is a classic. He is perhaps one of the most important exponents of managed money, and his homecoming as the United States enters its great experiment is a stroke of good fortune for the country.

Under the law, losses incurred in 1931 could be applied against 1931, 1932, and 1933. Therefore, even though the firm earned $3 to $4 millions during 1931, that left $17 to $18 millions loss to be applied against the earnings of the House of Morgan in 1932 and 1933.

The only evidence in the whole testimony that savors at all of sharp practice is the postponement of readjustment from Dec. 31 to Jan. 2. That pushed a year ahead the date to which losses could be applied against income. But whose fault? Congressmen think it was their own. They ought to know. If better income tax laws result, the price will not have been too high.

Gold Clause

With the promise to pay in gold definitely cancelled, the way will be clear for refunding.

"REPUDIATION" and "default" are the epithets now hurled against the Administration's move to abrogate the "gold clause." The issue was somewhat confused at first when Representative Steagall explained that his measure "repeals the Gold Standard Act" of 1900. The Act of 1900 establishes the gold content of the dollar and nothing has been done to repeal it. What the resolution does do is to abrogate the famous gold clause which has been put into government obligations since 1917 —and in almost all other corporate and public bond issues—pledging that principal and interest "will be payable in United States gold coin of the present standard of value." Not only is the clause to be eliminated in all future obligations, public and private, but the

ban is retroactive to any existing obligation including such a clause.

Secretary of the Treasury Woodin explained that, though the Thomas amendment of the Agricultural Emergency Act has made all coins and currencies of the United States legal tender for the payment of any debt, public or private, doubt has arisen whether obligations expressly payable in a particular kind of money, such as gold coin, may be satisfied by payment in other forms of legal tender. While the Supreme Court of New York held in a recent case that an obligation calling for payment in gold coin could be satisfied by payment of other lawful forms of money, confusion might be created if the existing legislation were differently construed in other jurisdictions. One of the purposes of the resolution is to remove any doubt and to avoid confusion so that debtors and creditors may have a clear definition of their legal position.

The provision was pushed ahead preparatory to the new financing which the government hopes to undertake in the first weeks in June to take care of its public works and relief programs. It also may prove to have been preparatory to a step for the readjustment of the United States government debt structure by refunding a part of the short-term debt with long-term bonds. A start on such measures has been recognized as a necessity for some time, and would clear the way for refunding more than $6.8 billions high coupon Liberty bonds at a reduced interest rate. Refinancing would be further aided by the open market operations which the Federal Reserve banks have begun as well as by bond purchases just authorized for the postal savings banks.

The proposal to delete the gold payment clause from all obligations has raised the possibility of legal action, especially from foreign holders of United States securities. At the Treasury there is confidence that the legislation, including the retroactive feature, could stand a court test.

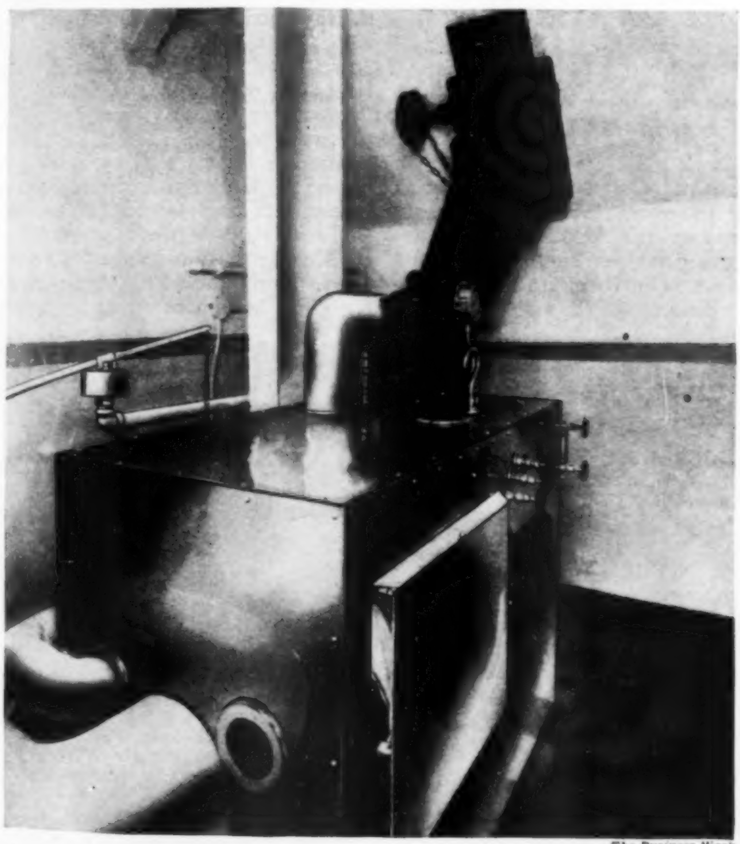
Cancellation of the gold clause appeals to importers as leaving settlement for purchases legal in any currency, with the consequent elimination of such disputes as have been recurring recently over adjustments in gold dollars.

Automatic Anthracite

A new super-furnace burns chestnut anthracite, not only heats the house, but cools it; provides hot water and ice water; runs the refrigerator and clothes dryer; all without a shovel or an ash barrel.

HOUSEHOLDERS who have dreamed of a workless furnace as they shovelled, shook, and shoved coal and ashes from bin to firepot to ash barrel, can see the embodiment of their wildest dreams in a new house in Merion, Pa.

They can see a machine which shovels its own coal, tends its own drafts, shakes its own grates, and empties its own ashes; which heats the house in winter and cools it in summer; which humidifies and de-humidifies and cleans the air; which provides hot water the year round and circulating ice water in summer; and which, in addition to all this, runs the refrigerator in the kitchen and the laundry clothes dryer.



The Business Week

"HOME COMFORT CABINET"—The Philadelphia & Reading's remarkable automatic coal-burning furnace which air-conditions the house, provides refrigeration, year round hot water, and circulating ice water in summer.

The house at 320 North Bowman Ave. was built by the Philadelphia & Reading Coal and Iron Co. in order to display the PaRco Maximatic Furnace. "Furnace" is too short a word (with too many profane connotations) to describe the trim chrome-plated box in the basement of "Tomorrow's House." The thing should be called a "Home Comfort and Convenience Cabinet." Only 4 ft. 10 in. long, 2 ft. 7 in. wide, and 3 ft. 8 in. high, the source of all this service is smaller than even a small executive's desk.

The Merion house is, of course, the ideal installation, with all the trimmings. Coal is dumped from the truck directly into a bin beneath the garage floor through large manholes. From there, it rolls down through an enclosed metal chute into the firebox as needed. Ashes are automatically removed by conveyor to a bin open to the outside. Combustion is so complete that this bin, only 4 ft. long, 4 ft. high, and 2 ft. deep, needs emptying but 4 times a year.

Automatic stokers are not new, but they burn the smaller sizes of coal, need some more or less expert attention —which makes them easier to sell to apartment houses and buildings which keep a janitor or a fireman than to householders who have only a wife or a son more interested in collecting stamps and guinea pigs. The PaRco is the first attempt to burn the larger sizes of anthracite automatically with that

happy minimum of attention which has made the oil burner so popular.

The chestnut size coal comes down by gravity to a conical grate designed to give an efficient firebed of uniform thickness which can be easily controlled. This grate is mounted on a spindle with an ash table. The whole is off center, so that any clinkers may be broken up against the furnace wall as it revolves.

Mounted in the furnace wall, in the neutral ground between the burning surface and the ash, is a thermostat. As the coal burns, the ash tends to accumulate above this plane. The lowered temperature arouses the thermostat, which starts a $\frac{1}{2}$-hp. motor, which rotates the grate and ash table, thus shaking down the fire more expertly than the average home fireman. A scraper takes the ash off the table into the vertical bucket conveyor which carries it off to the bin. The whole operation takes only a minute or so, is rarely necessary more than once a day in winter.

Basis of the new furnace is an exceedingly efficient steam boiler, designed to get the most heat out of the coal. Gases are carried a long distance in contact with boiler heating surfaces; the fuel bed is in direct contact with heating surfaces, and its radiant heat is utilized. In the 11-room and 3-bath demonstration house, fuel consumption averages $1\frac{1}{2}$ tons a month. Company officials stress the point that greater economies would result if the PaRco furnace were used only for heating and hot water. As it is, with all the extra services, the new furnace uses less coal in the course of a year than is required for heating and hot water in the average house.

The PaRco Maximatic was developed by the producers of Reading Anthracite in their own shops and is being manufactured by them. The fully-automatic model, which does everything but put the cat out (and that might be arranged with plenty of steam at 8 lb. pressure) is of course the most spectacular in its possibilities, but other models are on the way. Stoker-fired and hand-fired, they will make a bid for the lower price brackets with greater efficiency and economy of operation.

Junior G-E

General Electric's revolutionary oil furnace appears in a smaller size for smaller homes.

LAST year (*BW—Aug3'32*) General Electric walked in the cellar door of the home market with an oil-burning furnace revolutionary in appearance and operation. This year, it announces a new smaller size, in addition to the original model, which considerably broadens the base of this market.

The new model is a little over half the size in heat output of the big one. It is designed for smaller homes, in lower income groups, has all the fundamental principles of its parent, including coordinated boiler, burner, and control, designed and manufactured as one unit. It features the same down-draft combustion, in which the flame is "mushroomed" by air from the bottom.

The combustion spaces are almost completely surrounded by the boiler water, as in the highly efficient Scotch boilers traditional in marine service. Around the outside is asbestos insulation. The whole is enclosed in a lacquered, chromium-trimmed shell 5 feet high and $2\frac{1}{2}$ feet in diameter.

Both models can be used with steam, vapor, or hot water systems, and with hot air by the addition of the G-E conditioner. Both supply hot water the year round for household use.

In the new models, the oil rate is independent of viscosity. Once set, the grade of oil may be changed—within limits, of course—without making adjustments. A new compensating device eliminates the temperature factor, slowing down the flow of thin oil (which flows fast in high temperatures) speeding up the flow of heavier oil, thickened by low temperatures.

Like the larger size, operation is fully automatic, controls are all-electric.

Sales Alliance

Makers of floor coverings join Chicago furniture show.

FURNITURE and floor coverings are going to get together in this year's marketing program. Twelve large manufacturers and distributors of floor coverings will participate in the 1933 show at the American Furniture Mart in Chicago. This opens on June 26, lasts 3 weeks. With the inclusion of carpets and rugs and the allure of the Century of Progress, which will enable buyers to correlate a trip to the fair with their opportunity to correlate furniture and floor covering purchases, Furniture Mart officials are optimistically predicting an attendance of 5,000 buyers.

Prospects of price increases in the train of inflation are unsettling the mind of the furniture manufacturer as they are the minds of men in many another business that takes orders for future deliveries. They have also been stirring buyers into action. One result: at a recent furniture mart held at Jamestown, N. Y., at which new lines were shown, 11 exhibitors are reported to have withdrawn after taking enough orders in 3 days to cover 90 days, beyond which they would not guarantee prices.

Detroit Debt Deal

Motor city makes a bargain with its creditors.

DETROIT, threatened by bankruptcy and a fiscal dictatorship (*BW—May24'33*), has made a deal with its creditors which gives it a breathing spell. B. A. Thompson, vice-president of Bankers Trust Co. of New York, acting for holders of half the city's bonded obligations, has agreed with Acting-Mayor Couzens on a 30-year payment program, during which refunding operations and interest reductions are expected to save the city \$14 millions.

The city fathers are now moving to reopen the budget with the expectation of cutting it from \$68,400,000 to about \$52 millions. At the same time they are looking to Washington for further relief. At the capital the mayors of 50 big cities have been trying to tamper

The Business Week

MEDIEVAL MERCHANDISING—Gasoline makers don their armor, sally forth to battle for the honors of the gallonage with sharper sales swords.

International News

ROAD BUMPERS—Spring steel curve protectors, erected on Wilshire Boulevard between Los Angeles and the Sea, are hub-high; too speedy motorists carom rather than crash. Smooth surfaces deflect cars with the minimum of damage.

with the R.F.C. Act and the National Industrial Recovery bill. They want the R.F.C. empowered to purchase tax anticipation warrants. They think the Federal Administrator of Public Works should be allowed to defray more than the set 30% of the material and labor costs of municipal construction projects, and to advance funds for the remaining percentage. Not having made altogether encouraging progress, they have also suggested the possibility of the Comptroller's taking municipal bonds and tax certificates in trade for currency.

Gasoline

Marketing practices take a turn for the worse in the East, better in the West, as the big consuming season begins.

THE epidemic of gasoline merchandising evils has completed its sweep across the country, is now killing off profits in the East. In California, where gas once sold for a song—plus tax—prices are now steady. In the Middle West, gasoline selling has been purged of its most poisonous practices. New York and New England are now the danger spots.

Competition centers in the middle or "regular" grade, which now has so many virtues that the premium grade is just a basis of comparison. Opening of the summer motoring season on the Memorial Day weekend was the signal for the announcement of several new gasolines.

Most amusing skirmish in the copywriter's quarrel was between outposts of Tydol and Richfield, which clashed in the same editions of metropolitan dailies. Tydol advertisements featured a knightly figure, sword on high, challenging with a "revolutionary gasoline at no extra cost. . . . Not merely one premium quality but three."

Richfield countered with another knightly figure, less noble, more hard-boiled in appearance, sword stuck in the ground, gauntlet thrown, "Challenge Accepted" with "Not one, not two, not three, not five, but *ten* premium qualities."

Shortly thereafter, Colonial Beacon (Standard of New Jersey) "challenged" with "a new motor fuel that guarantees smoother performance," told the public "accustomed to fantastic and exaggerated claims in gasoline advertising" to supply its own superlatives.

Into the competition of quality, Tydol and Gulf have introduced lubricated gasoline (*BW—Feb1'33*) just one more weapon in the fight for the remaining motorists' dollars. Standard of New York has standardized on Mobilgas, "highest anti-knock at regular price," with "climatic control." The same company has imported the "cash discount" system by which prices in the New York territory were raised from 14.5¢ to 16.2¢, less 2¢ discount. Alice in Soconyland, viewing prices with and without discount or tax included, is a little confused.

Everybody Gets In

Technically, in this school of marketing, the so-called commercial discount is eliminated; actually, of course, it is broadened to include everybody and the secret discounts are out in the open.

Meanwhile, Standard of Indiana has cancelled its commercial discounts, is moving to narrow the margin between tank car and car tank. In a signed article in *National Petroleum News*, Allan Jackson, vice-president of the company, diagnoses the marketing troubles of the industry and prescribes for them. "Long margins," he says, "have become prevalent . . . have enabled some marketers to make the business unprofitable for everybody . . . If one decides to share his margin with the consumer to get a larger share of the business, his competitors will follow suit, and the point will soon be reached at which no one of them is making enough to cover expenses."

Last year (*BW—Sep28'32*) Standard of Indiana brought secret discounts and rebates into the open with retail quantity discounts which forced abandonment of the practice, until the open discounts themselves were stopped. Recurrence of the evil has convinced that company that a narrower margin offered the only permanent relief.

Standard of Indiana believes that all service station discounts are inadvisable, should be eliminated; that margins should be cut; that dealers should share in the cost of meeting local "situations"; that equipment should not be loaned; that there should be an armistice in the battle for outlets.

Price Guessing

Month's "effective delay" eases job of matching mail order catalogues against inflation prospects.

WHEN an inflation has everybody guessing, nobody works harder at guessing than the mail order executive, particularly when inflation starts just as pricing for the general catalogues of the big mail order houses is getting under way. If you must guarantee prices over a considerable period, you've got to go high enough to keep your bargains from be-

coming so unreasonably good as competitors' prices advance that the demand will force you to restock at new levels higher than your established selling prices justify. And if you go up too far, you'll obviously lose sales.

The development of speedier methods of catalogue printing has helped. D. M. Nelson, merchandising vice-president of Sears, Roebuck & Co. estimates that faster work on the printing job and a 2 weeks' postponement in sending out the catalogue will give his company about a month's "effective delay" in meeting the price issue. All the mail order concerns are watching their buying step in the light of the upward tendency in prices and the possibility of further advances as—and if—inflationary measures take hold.

Coal Wages Up

Appalachian moves for 10% raise and Pittsburgh follows.

OUT of the blue comes the announcement that Appalachian Coals, Inc., has recommended to its members a 10% increase in wages paid to their miners, aggregating in normal times some 54,-

The Administration's Recovery

(Brought up to date

MONEY

PURPOSE: To raise prices, increase purchasing power, end hoarding.

METHOD: By credit and currency expansion through authorizing President at his choice to (1) direct Federal Reserve to buy $3 billions of government bonds in open market operations; (2) order Treasury to issue $3 billions in notes (redeemable at 4% a year) to replace government bonds; (3) reduce gold content of the dollar by as much as 50%; (4) undertake free coinage of silver in a fixed ratio to gold; (5) accept $200 millions in silver in payment of foreign debts. By embargoing gold exports. By penalizing all persons holding more than $100 in gold after May 1.

STATUS: Embargo on gold exports ordered April 19. Executive order penalizing hoarding signed Apr. 5. Farm Relief Bill permitting credit and currency expansion signed by President May 12, open market operations begun by Reserve system May 23. Resolution cancelling gold clause in federal and private obligations passed House May 29.

BANKS (Emergency)

PURPOSE: To halt nationwide run on banks and international run on gold.

METHOD: By declaring a "bank holiday," at the close of which the Treasury was empowered to license sound national banks, to re-open some with restrictions, to keep unsound ones closed for reorganization or liquidation. By improving liquidity of reopened banks by broadening rediscount privileges and making new Federal Reserve currency available for issue against certain types of assets. By authorizing R.F.C. to assist in bank reorganization through purchase of capital stock. By setting up a system of "conservators" to reorganize or liquidate closed banks. By obtaining state cooperation to apply similar measures to state banks.

STATUS: Emergency Banking Law signed by President Mar. 9. Bank holiday ended Mar. 13. Bank reorganization and liquidation now in progress.

BANK REFORM

PURPOSE: To strengthen the banking system and modernize it to meet the country's needs.

METHOD: By insuring fixed proportions of bank deposits (100% of first $10,000, 75% of next $40,000, 50% of total above $50,000) at end of 1 year or after completion of preliminary examination, with possible temporary provision for 100% insurance on deposits up to $2,500, through Federal Bank Deposit Insurance Corp. financed by assessment on subscribing state and national banks plus $10-million appropriation from Treasury. By ordering divorce of commercial banks and their security affiliates at end of 1 or 2 years. By forcing private banks to give up either deposit or investment business. By authorizing statewide branch banking.

STATUS: Conflicting House and Senate bills (latter alone providing for immediate insurance of small deposits) now in conference.

PROTECTION OF INVESTORS

PURPOSE: To outlaw worthless securities, control speculation.

METHOD: By requiring sellers of securities to register all issues with Federal Trade Commission subject to stop order in case of fraud and to supply that body—and also investors—with full information on assets back of the securities, conditions of issue, etc., with issuers liable to damages for fraud.

STATUS: Securities Bill signed by the President May 27.

INDUSTRIAL CONTROL

PURPOSE: To increase employment and wages and hasten recovery through prevention of destructive competition in business.

METHOD: By giving President or his agents emergency authority for 2 years to: (1) approve codes of fair competition submitted by industries agreeing on wages, hours of labor, production quotas, etc.; (2) impose such codes on non-agreeing industries; (3) enforce codes under a licensing system where necessary; (4) set aside anti-trust laws so far as they conflict with approved codes.

STATUS: National Industrial Recovery Bill passed House May 26. Now before Senate. Gen. Hugh S. Johnson expected to administer controls when authorized.

PUBLIC WORKS

PURPOSE: To create employment, increase public purchasing power.

METHOD: By expending $3,300,000,000 through an Administrator of Public Works on developing a wide range of federal projects left to President's choice, on paying up to 30% of labor and materials costs on state and municipal projects, and on building state-aid highways, with service cost on this debt to be met by special taxes as determined by Congress and cancelled on repeal of prohibition amendment releasing liquor tax receipts. By setting up "Tennessee Valley Authority" to conserve resources, improve flood control, carry on forestation, develop power (particularly at Muscle Shoals) in Tennessee Valley area. By special forestation projects employing 250,000 jobless.

STATUS: Public works included in Industrial Recovery Bill passed by House, now before the Senate. Tennessee Valley Bill signed by President May 18. "Forest Army" Law signed Mar. 31, numerous camps established.

DIRECT RELIEF

PURPOSE: To prevent suffering through depletion of state treasuries by providing direct relief funds to states; to coordinate direct federal relief activities.

METHOD: By providing $500 millions for this purpose through the sale of R.F.C. debentures, $250 millions to be available on basis of states' approved needs, $250 millions on basis of $1 of federal help for every $3 spent for relief by applicant states. By transferring relief fund administration from R.F.C. to an Emergency Relief Administrator.

STATUS: Wagner Relief Bill signed by the President May 12. Harry L. Hopkins named Relief Administrator.

FARM RELIEF

PURPOSE: To balance agricultural production and consumption so as to place farm products prices on a pre-war parity with industrial prices; to increase farmer's purchasing power.

METHOD: By giving Secretary of Agriculture free hand to limit acreage and raise crop prices by any one or more of several methods—leasing land

000 men. As the new sales agency represents 139 operating companies and 75% of the commercial tonnage in the Southern high volatile field, comprising southern West Virginia, Virginia, eastern Kentucky and eastern Tennessee, what Appalachian does is important and of broad influence. The agency has no control over its members in matters of operation and cannot compel compliance, but such a resolution of its board presumably speaks for its members. Coupled is the statement that an increase in present selling prices as well as wages is "a necessary prerequisite to a return of prosperity."

Already the Pittsburgh Coal Co. has followed with a 10% wage increase for 8,000 men in 1 Kentucky and 12 Pennsylvania mines. This is the first upward revision in wages in the Pittsburgh district since 1926.

Meanwhile, there are apparently no further developments in the effort of the anthracite operators to secure a decrease in wages since the Philadelphia conference was called off at the request of Secretary of Labor Perkins. Hard coal wages are still way above those paid to bituminous miners.

Program: Progress Report

from *BW—Apr26'33*)

out of production, applying the domestic allotment plan, taxing processors, trading surplus cotton for cotton acreage reduction, entering into trade agreements with producers and processors, etc. By merging farm credit agencies under Farm Board control.

STATUS: Farm Relief Bill signed by President May 12, methods of application now being worked out, farm credit set-up now being reorganized. George N. Peek named Farm Relief Administrator.

MORTGAGE RELIEF (Farm)

PURPOSE: To lighten farmer's mortgage debt, prevent foreclosures, liquidate frozen assets of farm mortgage holders.

METHOD: By setting up a farm mortgage corporation to exchange liquid, interest-guaranteed bonds for frozen mortgages where mortgagees agree to write down principal. By cutting mortgage interest rates. By giving farmer a moratorium on payment.

STATUS: Farm mortgage relief provisions incorporated in Farm Relief Bill signed by President May 12. Mortgage adjustment program now in action under direction of Henry Morgenthau, Chairman of Farm Board.

MORTGAGE RELIEF (Homes)

PURPOSE: To lighten the mortgage burden on small home owners, prevent foreclosures, liquidate frozen assets of mortgage-holder.

METHOD: By offering home-owners same type of relief as provided for farmer.

STATUS: Home Mortgage Bill passed by the House Apr. 28, now before Senate where House limitation to $15,000 homes has been raised to $25,000 and other changes have been made.

ECONOMY

PURPOSE: To help balance current budget by cutting government costs.

METHOD: By slashing departmental budgets 25%. By cutting government salaries 15%. By reducing veterans' benefits $500 millions. By consolidating government services (to improve efficiency as well as make savings).

STATUS: Grant of broad powers to President to effect such economies voted by Congress Mar. 16. Executive orders reduced federal salaries Mar. 28, cut veterans' benefits Mar. 31. Independent Offices Bill authorizing cuts in army and navy pay and reducing appropriations for veterans passed House May 12, now before Senate. Departmental reorganization under way.

RAILROADS

PURPOSE: To prevent railroad bankruptcies, protect investors in rail securities, reorganize the roads on a more efficient and economical basis; to coordinate regulation of highway, water and air transport with that of the railroads and to control competition among these services.

METHOD: By setting up a Federal Coordinator of Transportation with power to promote or direct agreements on economies in railroad competition and service and to develop rail consolidation plans, aided by 5-member coordination committees presiding over each of 3 regional railroad groups. By setting aside the anti-trust laws to permit emergency agreements with which they conflict. By giving the I.C.C. jurisdiction over holding companies. By repealing retroactively recapture provisions of Interstate Commerce Act. By changing rate-making rule to enable roads to earn "fair return" on investment. By urging reorganization, where needed, under revised bankruptcy laws. By combining regulation of all forms of transportation under one head.

STATUS: Rail Coordination Bill passed by Senate May 27, now before House. Plans for Transportation Bureau in Dept. of Commerce to cover all forms of transport now under consideration.

PROHIBITION REPEAL

PURPOSE: To fulfill party platform pledge, stimulate certain lines of business, and provide new tax sources.

METHOD: By revising the enforcement act to permit the sale of 3.2% beer prior to repeal and licensing brewers to make such beer on payment of $1,000 annual fee per brewery and $5 tax per bbl. (31 gal.) with an import duty of $1 per gal. By submitting repeal of Amendment to state conventions and, upon ratification, permitting state-regulated sale of liquor accepted as "intoxicating in fact."

STATUS: Beer bill signed by the President, Mar. 22; effective, Apr. 7. Repeal resolution adopted by Senate Feb. 16, by House Feb. 20. Several states have already voted for repeal.

FOREIGN TRADE

PURPOSE: To hasten recovery by removing obstacles to international trade.

METHODS: By reciprocal agreements to lower tariffs. By international cooperation to stabilize currencies, remove exchange restrictions. By settlement of international differences. By common action through World Economic Conference in London June 12.

STATUS: President has persuaded 8 nations to agree to a "tariff truce" pending further negotiations at London Conference, may ask Congress for free hand to conclude reciprocal agreements at conference.

WAR DEBTS

PURPOSE: To get war debts out of the way of international recovery.

METHOD: By writing down or cancelling debts, perhaps in exchange for trade concessions by debtor countries.

STATUS: President may ask Congress for free hand to make war debt adjustments. Congress, in inflation Amendment, agreed to accept up to $200 millions of foreign debt payments in silver.

DISARMAMENT

PURPOSE: To lessen danger of war, cut government expenses.

METHOD: By international agreement on arms limitation.

STATUS: Geneva Arms Limitation Conference now discussing President's proposal of May 17, addressed to 54 nations proposing world-wide treaty of non-aggression and suggesting progressive elimination of offensive weapons. At Geneva, Norman Davis has promised in general terms that the United States will consult with other nations in event of a war threat, will not let claim to neutral rights interfere with punishment of an aggressor nation.

Keystone

SIGNING THE SECURITIES BILL—The President puts pen to another "public interest" measure passed promptly by the Congress. Watching him, are Federal Trade Commissioner Johnson, Senator Robinson, Senator Fletcher, Representative Rayburn, Huston Thompson, Henry Miller, and Trade Commissioners Davis and Humphrey.

Depositors Want Insurance

Opponents of bank bill face proponents of deposit protection—and the latter have the votes.

WASHINGTON—Opponents of the Glass banking bill brought all the pressure they could to bear upon the conference committee of Senate and House last week, but they realized they were fighting against an overwhelming majority in both houses in favor of immediate insurance of bank deposits.

They undoubtedly were responsible for bringing about the delay in calling a conference on the bill. The excuse for delay was that the Senate conferees were tied up with the Morgan hearings. But at the time this excuse was being used the conference committee Senators were holding a meeting to discuss procedure, which meant they could just as well have sat in conference then.

Senator Vandenberg (Mich.), author of the amendment providing immediate insurance of deposits up to $2,500 until the permanent insurance scheme goes into effect, threatened that if much more time elapsed and he had reason to suspect the effort to smother the Glass bill in conference might succeed, he would resort to the extreme measure of tacking his deposit insurance amendment in full to the next piece of Administration program legislation that came up, thereby forcing a vote. Since it was perfectly obvious that the votes to pass it were there, that was a powerful threat. Even after he made it, there was talk in the Senate that the bill would be smothered—but it is to be remembered that Vandenberg made his threat in private, so that the full force of it was not appreciated by everyone.

Opposed to the measure were some of the large state banks, and some of the banks that do not wish to divorce security affiliates. The Administration exerted some quiet pressure as well, but Secretary Woodin, the only Administration leader openly opposed, is suffering just now from diminished prestige, and the White House continued to say nothing at all.

It was apparent all the while that if the Vandenberg threat was exercised, Administration opposition would be dropped. The President himself favors most of the other provisions of the Glass bill, but objects to the deposit insurance feature, and especially to its immediate application.

Any Old Port

In Galveston vs. New Orleans, Court denies I.C.C.'s right to favor one port against another.

GONE are the days when jealous ports striving for advantage in foreign trade can come to Washington and court the favor of the Interstate Commerce Commission. In invalidating I.C.C. orders prescribing rate differentials in favor of Galveston where the distance to the Texas port is shorter than to New Orleans by more than 100 miles, the U. S. Supreme Court has stripped the commission of its supposed power to compel establishment of such differentials on export and import traffic. Ports are merely gateways. Section 3 of the Interstate Commerce Act which prohibits undue or unreasonable preference or prejudice to any locality uses "locality" as "the place of origin or destination," says the Court, and is "not intended to permit the commission to favor or hamper a community having no such relation to the services of transportation." In giving the victory to New Orleans Justice Roberts added that "the plain purpose of the (commission's) orders was to build up Texas ports by diverting traffic to them." He disposed of Galveston's complaint concerning the longer haul to New Orleans by quoting Senator Shelby M. Cullen of Illinois, chairman of the committee in charge of the original bill in 1887, to the effect that in rail competition rates were not to be proportioned to the distance between inland origin or destination and port.

Endless Chains End

Selling scheme thrown out by post office is about played out anyhow.

THE end of endless chain selling is in sight. Breakdown of the magic formula to riches was signalized by a recent Postoffice Department fraud order against the Sheldon Hosiery Co., New York. The Better Business Bureau reports that other concerns are under investigation with the possibility of subsequent fraud orders being issued. In many cases it will be kicking a dead horse. The scheme has about played out anyhow.

The essence of the system (*BW—Feb1'33*) was that every purchaser of an article became a salesman among friends who, in turn, induced their friends to buy. Fabulous commissions were promised. They failed to materialize because quotas weren't filled, because efficient working of the plan would have soon sold every human on the globe. Also prices usually were higher than on similar articles sold elsewhere. It was estimated that over 200 companies, many of a shady complexion, induced 750,000 persons to try the scheme. Fountain pens, purses, writing paper and many other items were sold in this way.

Power Squeeze on All Sides

Open season for regulatory legislation now focuses on New York and Illinois. Southeast watches Muscle Shoals.

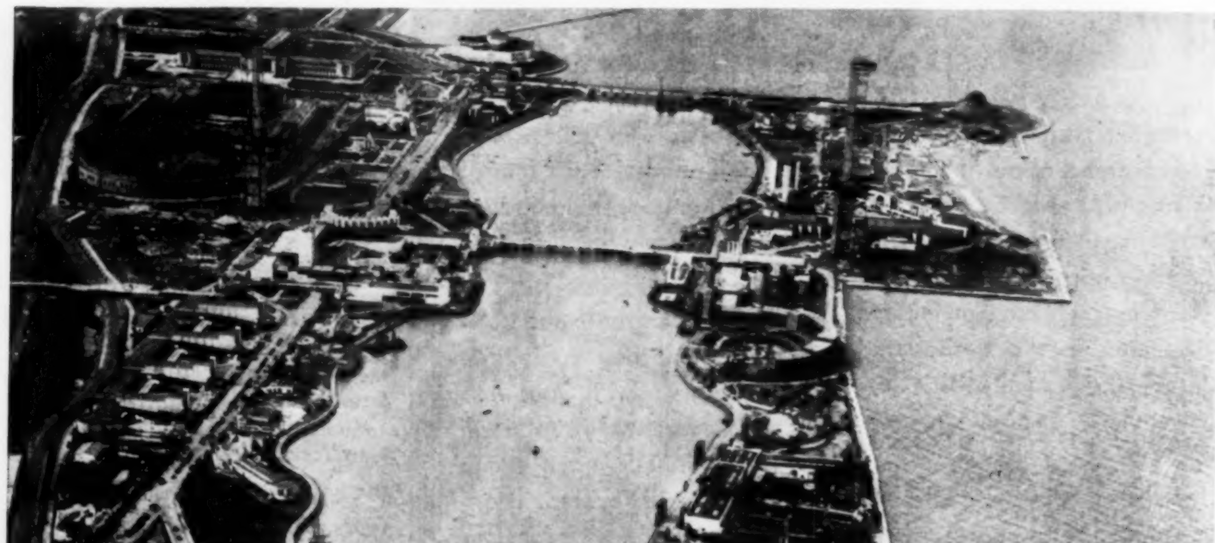
FOLLOWING the recent U. S. Supreme Court decision in the Los Angeles Gas and Electric Co. case (*BW—May17'33*), that past valuations cannot be used as a rate base, state public utility commissions have increased their pressure on the service companies for rate decreases. And like the famous general who mounted his horse and dashed off in all directions, the power companies are engaged in a defensive battle that seems to be raging on every side. Legislation affecting public utility companies was introduced last winter in some 28 states, with bills covering the gamut of regulation and control.

Proposed laws have sought to tax the sales of energy, prohibit the merchandising of appliances, establish maximum rates, bar state officials from owning utility securities, abolish service charges, authorize bond issues to build municipal plants and state power developments, fine utilities for over-charging on fast meters, limit salaries paid by utilities, increase state control, prevent loans by operating companies to holding companies, and set up kindred regulations in infinite variety. In general the objective has been to increase tax returns, or to insure the investor against future loss, to improve the functioning of state regulatory commissions, or to cut rates.

The greater part of this grist of incipient statutes died a-borning. Some of it was strangled by conversation in committee rooms, much of it foundered in the flood of other legislation, some of it was defeated by the defenders of the utilities, some was left high and dry when the lawmakers adjourned and went home. But many new bills have been passed and many more, like Lazarus, will rise from the tomb.

Clearly the public utilities, which for the most part means the power companies, are in the glare of the limelight. For though gas and street railway systems are affected by some of the statutes, the artillery is aimed at the spectre of the "power trust."

Interest centers at the moment in New York City, Illinois, and the Southeast. In New York, the State Utility Commission has begun hearings to see why the four metropolitan companies should not reduce their rates, and has announced that lower rates will be ordered temporarily pending investigation. The commission believes that the utilities have not borne their fair share of the burden of the depression and are not contributing adequately toward economic recovery. It bases its attitude in part on the fact that out of 9 listed utilities in the southern district, 7 have increased dividends since 1928—one from 14% to 27½%, another from 12% to 24,% and another from 7% to 15%—and in two cases the electric earnings



International News

FAIR FROM THE AIR—Looking north over Chicago Century of Progress Exposition. Aptly enough, the record of man's accomplishments stands on man-made land. In the upper left corner is the Field Museum, below it Soldier Field, both Chicago landmarks. Along the shore, at the left, the general exhibition halls, with the Electrical Group across the Lagoon. Over all, the Sky Ride, with its 600-foot towers. To the south, not shown, is the Industrial Group.

of the company are much in excess of the earnings of the gas departments.

The telephone revenues collected in New York City last year were roughly $100 millions and it was argued that the telephone company has too long delayed the curtailing of operating expenses, and to protect its record of large dividends has maintained excessive boom-time rates at the expense of the consumers. So the New York Telephone Co. is to be checked up. Meanwhile, rate cuts have been voluntarily accepted by the Yonkers Gas & Electric Co., the Queens Borough Gas & Electric Co., the Long Island Lighting Co., and the Staten Island Edison Co., with systems bordering the big city.

Illinois in Action

The Illinois Commerce Commission, by issuing citations against the 27 largest electric utilities of that state to show why their rates should not be reduced at once, has already drawn blood. These 27 power companies serve 1443 municipalities in Illinois and about 98.8% of all users of electricity. This constituted the initial step in a program said to aim at a thorough and comprehensive investigation of the rates and charges of every utility in Illinois.

Right away the Central Illinois Public Service Co. has taken a 20% cut and the Commonwealth Edison Co. is tentatively committed to a reduction not yet determined, although protesting that its rates already are confiscatory.

The power companies of the country have a proved record over the last quarter century for repeated voluntary reductions in rates, that made electric service the one important item of domestic expense that had come steadily down in contrast with the rising cost of living. They feel that they should not be compelled to revise rate schedules in line with present deflated price levels, knowing that when normal prices are restored and their costs go up again it will be virtually impossible to secure authority to restore rate schedules.

Muscle Shoals Scare

The situation in the Southeast revolves around the threatened pyramiding of power capacity at Muscle Shoals. Utility companies in Tennessee, Alabama, Georgia, and the Carolinas have vast resources of surplus hydro- and steam-generated power, representing $400 millions of money invested by owners of their stocks and bonds.

The entire power industry looks with consternation at this proposal to launch the government on a policy of using public funds to build great power developments where existing systems already provide more than the market can absorb for years to come. They see a menace that strikes at the root of public utility credit and stability. But the smoke will be rising on all fronts for some time.

Editorial Contemporary

A New Editorial Concept And A New Scientific Market Plan Give Advertisers A Powerful Sales Medium

THE first on sale date of Tower Magazines, December 1929, made publishing history. Up to that time there had been women's magazines directed editorially to upper-middle incomes . . . the sex or confession magazines to the lower incomes. But Tower Magazines were the *first* and are still the only magazines edited for average middle-income American women and offered without sales pressure.

Shopping housewives examining the first issues displayed in the Woolworth stores, saw stories which caught their interest with the first paragraph, the first line. Found glamour in the debate between a grand duchess and famous author. Romance in a national hero's love story. Exciting news in a film favorite's girlhood. Thrilling suspense in a novel-length mystery. In each magazine too, lively, pictorial articles about food and fashions, beauty and homemaking. A new, quicker tempo . . . was apparent in terse, dramatic headlines . . . in swift approach to article and story, in close knit plots, in condensed descriptions.

1,000,000 copies sold in the first few days. All cash. All voluntary. All restricted to 1268 high profit markets . . . cities with sufficient retail activity to maintain a Woolworth store . . . *a marketing plan without contemporary.*

Under the editorial direction of Hugh Weir, Tower Magazines, using the world's foremost writers, have maintained such intense reader interest that, even in these depression years, 50,000,000 copies have been purchased.

MYSTERY, a true creation, a romantic-mystery magazine for women, uses fiction with technical brilliance and emotional intensity. *NEW MOVIE'S* skilled reporting of Hollywood people and places is edited for a more mature point of view . . . the substantial type of homemaking woman. *HOME* uses untraditional plots and articles which are colorful, dramatic. *Illustrated LOVE* belongs neither to the sophisticated fiction nor the crude school of sex writing; but has glamour, beauty and romance.

• • •

Examine a copy of Tower Magazines in Woolworth's or newsstands in some of the larger cities and it will be apparent why average housewives, average age 25, average income $2519, buy them voluntarily and buy from them so freely that advertisers gave a 12% linage increase for 1932, and 1933's first quarter closed with a 25 column gain and 29 new advertising accounts.

MAGAZINES INC.

FIFTY-FIVE FIFTH AVENUE • NEW YORK

Wall Street Showdown

In this battle over Allied Chemical's right to "guard company secrets," the New York Stock Exchange confronts its critics on the arm of a minority stockholder.

BAITERS of Wall Street are apt to deride the campaign of the New York Stock Exchange to force more revealing reports from companies whose securities are listed for trading.

To prove that it means business, the Exchange has come to a showdown in its 4-year argument with the powerful Allied Chemical & Dye Corp. Unless the company agrees to furnish stockholders "adequate information" concerning its activities before Aug. 23, Allied Chemical will be stricken from the trading list, will cease to be quoted.

Hit a Big Target

Such action affecting a company as important as Allied is revolutionary. It is one of the largest chemical companies in the world. Total assets at the end of 1932 were \$408½ millions; net income for that year, \$11,441,000. Since its products go into all sorts of industries, the position of this stock is generally included in indices. The Stock Exchange can hardly afford to back down on its ultimatum. Management of the company—which means Orlando F. Weber, president—shows a few signs of weakening.

On the Exchange announcement last week, Allied's common stock dropped 4½ points, preferred dropped 1¾. These stocks stiffened in the general rebound at the weekend, but the initial recession told that the blow had been felt. If Allied is banished from the Big Board it is doubtful whether trading will be allowed on the Curb. (There may be a general witch-burning and the Curb is not going to be caught with any dynamite in its pockets.) This would reduce traffic in Allied to the degradation of an over-the-counter basis.

Just a Hard Guy

Allied Chemical's president, Weber, is one of the biggest, brainiest, most inflexible executives that ever thumped the mahogany at a board meeting. It is said that he does not care a hoot whether the stock is outlawed or not. He is determined to manage the company in his own way and his way is to tell as little as possible. He has a record of remarkable achievements to stand on.

Mr. Weber bases his refusal of information on the ground that his is a highly technical industry and he must guard company secrets from competitors. Specifically, the Exchange champions the cause of stockholders who have tried without success to extract illuminating reports from their company. Actually the present battle is a climax in Exchange history. It expresses the claims of minority stockholder as against the divine right of controlling executives.

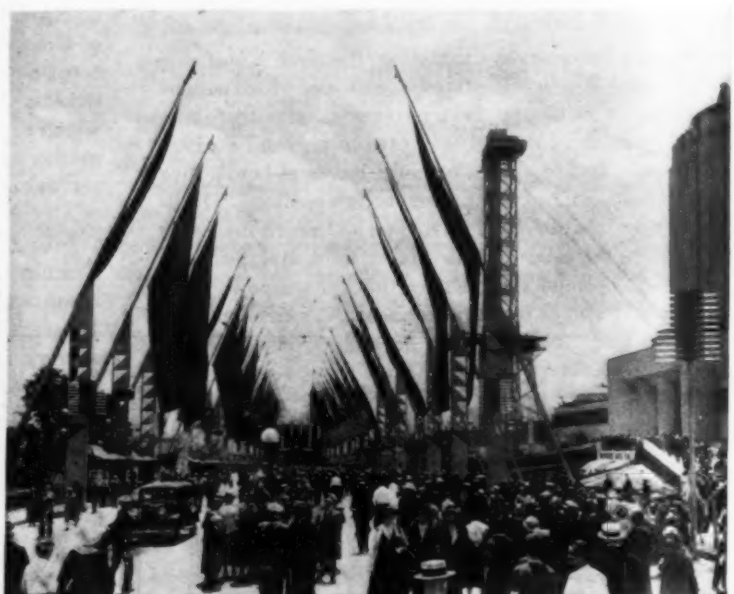
Most persistent have been attacks on a \$92-million (cost) item in Allied's report labeled "United States and other securities." A red-faced stockholder at the meeting of the company corkscrewed from the presiding officer admission that market value of these on last Dec. 31 was \$28 millions less than cost. The company sought to spike the rumor that the amount of U. S. securities in this portfolio was small; it disclosed that these holdings were "about \$20 millions." Gossip also held that Allied was practically an investment company, that non-federal securities under the above heading "represented a speculative trading account, largely affecting the company's earnings." In an effort to assuage the Exchange on this point the company's statement made a confession that brought additional broadsides from the Exchange. The balance of the item "consists practically entirely of the securities of 6 companies," chiefly holdings "of the company's preferred and common stock." Publication of further details would be against "the best interests of our stockholders."

The generally defiant tone of the letter was subdued to remind the Exchange that Allied had offered to alter the form of its balance sheet to separate U.S. from other securities held, to state the market value of these holdings, to afford details of company stock held with amount of reserves to cover difference between cost and market prices.

The concession was practically overlooked in the holy wrath roused by the disclosure of the company's acquisition of its own securities. In an indignant reply, Mr. Whitney retorted that since 1929 "there has been no indication" which would lead stockholders "to believe that your company had purchased either its own preferred or common stocks." The form of statement tended to make them think "that your company had not purchased its own shares." This "necessarily casts doubts upon the validity of the income statement." Lack of information "makes it possible for the management of your company to vary the reported income, up or down, at pleasure, and make it impossible to compare intelligently the income account of one year with that of another."

The Belgians Scream

Meanwhile there are rumblings that raging minority stockholders will go to court in an effort to make Mr. Weber unlock his books. Keenest sufferers of all are the Belgian Solvay interests. Through their Solvay American Investment Corp. they hold the largest single block of Allied—499,694 shares or about 20%. They are vitally interested in maintaining the price of the stock. Mr. Weber, secure in control with the backing of his allies, ignores the Bel-



Acme

CASH CUSTOMERS—A quarter of a million people pushed through the gates as a ray from Arcturus, aided by Postmaster General Farley, opened the great Chicago Exposition. Here is the avenue of flags, leading from the main entrance at the north end, near the Field Museum, to the Hall of Science.

gians, professes to face Aug. 23 undisturbed.

The remarkable success of his hard-boiled rule gives him confidence. Allied Chemical & Dye was formed in 1920 to consolidate ownership of the Barrett Co. (roofings), General Chemical Co., National Aniline & Chemical Co., Semet-Solvay Co., Solvay Process Co. Few of its products go directly to consumers; they are sold in vast volume to intermediate manufacturers. It leads in the alkali fields, diffusing its output through glass, soap, textiles, leather, fertilizer, petroleum. Its sulphuric acid, chlorine, ammonia are taken by many industries including metals, automotive, building, electrical.

Inclusion of Solvay brought the important soda ash process developed in the 1860's by the Belgian, Ernest Solvay. Soda ash is a basic product in important industries, notably soap and glass. The Solvay units earn a large but undetermined portion of Allied earnings, and this doesn't make the displaced Belgians any happier about the outlook.

Meyer Lent a Hand

Mr. Eugene Meyer, until lately governor of the Federal Reserve Board, had a hand in the welding of Allied. It was he who brought Mr. Weber from the Maxwell Motors company to be president of the new combination. The late Dr. William H. Nichols, beloved of the chemical industry, was chairman, but after the advent of Mr. Weber ceased to be the ruling spirit. Mr. Weber knows little of chemistry but plenty about management. He surrounded himself with acquiescent lieutenants and drilled them in the practice of secrecy. A huge plant was built at Hopewell, Va., where nitrogen for fertilizers is fixed from the air. The president boasts that neither he nor any director has been inside the plant.

Like many of his type, Mr. Weber is a 6-footer, with shoulders in proportion. His reticence is proverbial. He never allows his picture to be taken; no gathering of industry vibrates to his oratory. Associations cannot boast of his membership. His biography in *Who's Who* is one of the briefest, discloses no personal details. It is said on good authority that he is 53 years old. Away from his office Mr. Weber unbends, grows genial, loves to discuss Emerson and James, his favorite founts of philosophy. Bue he does not believe in "coddling" employees. Much of the welfare and profit-sharing activities of Solvay were discontinued when he moved.

Proof of efficiency is found in the fact that the Hopewell unit exported last year 185,000 tons of nitrates, competing with the natural nitrates of Chile and the famed industry of Germany. In 1930 we exported 28,630 tons. Here is a showing American chemists would have thought fantastic 10 years ago.

Gloversville–Technocrats' Utopia

Wide World

RELIEF ADMINISTRATOR—Harry L. Hopkins, who gave up his $15,000 New York State job to take the $10,000 federal job created by the Wagner Act. He is a veteran social worker, an authority on relief.

Rugged Individualism in the glove industry gives everybody work but keeps everybody poor. Ruinous competition and the sweatshop flourish.

TECHNOCRATS may babble pessimistically about "machine-made" industrial evils, but the workers of Technocrat-proof Gloversville, N. Y., where almost half the nation's leather gloves are made, will tell the world that strictly man-made troubles can be just as painful. For Gloversville is beset with as imposing an array of industrial ills as the gloomiest Technocrat could conjure up for the machine-age victim. While employment per se is not the vital problem of the perplexed industry, ruinous competition, sweatshop conditions, demoralized wages, marathon working hours, keep both glove worker and manufacturer unhappy.

Citadel of Handwork

Superficially, Gloversville sounds like a Technocrats' Utopia. Here is to be found an industry uniquely immune to the revolutionizing onslaught of mechanization. Fine gloves have always been cut and made by hand, and so far, the invention of a machine that can usurp handwork on gloves has confounded inventive wizards.

There is no overcrowding here such as there is in most trades. The glove cutter, aristocrat of his craft, is very much of an artisan. He must have natural skill and judgment, and have served tedious years of apprenticeship. Moreover, many cutters are growing venerable and are not being replaced by a younger generation. Most cutters, either American-born or thoroughly Americanized in their ideas, do not want their sons to inherit their craft. They want them to go to college, to enter some more promising profession. In fact, a few years ago the Association of Leather Glove and Mitten Manufacturers became alarmed over the impending shortage of cutters, and started a course in glove cutting for boys, with the local Board of Education paying their wages while they were apprentices. Likewise, day and night classes in glove sewing were started for girls and women.

Surface Prosperity

A casual visitor probably would be impressed by Gloversville's apparent prosperity. A disinterested citizen could boast that almost 80% of the people own their own homes, could point significantly to the number of savings bank accounts, the number of automobiles owned, the high percentage of radios, electrical appliances, and other middle-class indispensables in Gloversville homes. And you would be told that, in striking contrast to many industrial centers, only about 250 families out of a population of approximately 25,000 have had to resort to public relief during the depression—with that number already considerably lessened now that the glove business has perked up a little. There is little actual poverty. In fact, almost everyone is working, if only part time.

But that is just where the joker in this handmade prosperity appears. True—almost everyone is working. But few men can support their families unaided by their wives and children. While a skillful cutter earned $30 to $45 a week, by working 9 hours a day in lamented 1929 and even in 1930 (when for a time wage scales were slightly above those of '29) he can now, after wage cuts varying from 17% to 35%, earn only $12 to $14 a week, if, like many workers, he is on a part-time basis. Consequently, in 90% of the homes, women sew gloves all day long to fatten family incomes. Even youngsters "pitch in" and do their bit after school. In the evening Mr. and Mrs. Glove Maker do the necessary housework. Life is pretty much all work and no play.

Boom in Slump Years

Unlike the course in other industries, fine glove production increased during 1930 and 1931. Women's demand for summer gloves jumped in response to a new fashion. Production averaged over 100,000 dozen pairs a month in these years against 85,000 to 95,000 dozen pairs a month in the preceding 2 years. In 1932, it fell to 77,000 dozen pairs a month, but both manufacturers and workers could have managed to get along fairly well with reduced cost of material, reduced wage scales, and part-time work, if 2 depression-born ogres had not begun to gnaw at the very roots of the industry.

(1) Even the reputable old-line manufacturer was beguiled into reckless competition and ruinous price-cutting by the irresistible bait of large orders dangled before his eyes by chain stores, large department stores, or by New York City organizations with vast purchasing power that buy for retail stores throughout the country. Naturally these tempting orders were awarded to the lowest bidder. The manufacturer, anxious to do business at any price, was forced to do one or more of 3 things; produce merchandise at no profit, or even a loss; buy raw or manufactured materials for less money (which he was frequently able to do); and finally, drastically reduce wage scales which even in normal times did not enable the most skilled worker to earn more than a modest living.

(2) Glove "bootleggers" have sprung up like mushrooms during the depression. Because no elaborate machinery is necessary to produce gloves, any unemployed glove worker with a barn, a garage, a cellar, a garret, or an extra room where he can put up a table, plus the price of a few skins with which to make samples, is able to exercise his constitutional American privilege of going into business for himself. He then goes to the trade, bootlegging gloves at prices way below the cost at which reputable manufacturers, with their overhead and upkeep, can manufacture goods. (Gloves have been sold as low as $4.50 a dozen, a price that makes Gloversville dubious about the need of tariff protection of which it is supposed to be the special pet and beneficiary.)

Shoestring Competition

The whole family of the shoestring manufacturer works early and late. He ignores glove union wage schedules, state laws regarding properly equipped plants and hours of labor. He hires unemployed men and women who are willing to work at distress wages, forces them to toil far into the night under sweatshop conditions.

This pernicious group of "one-horse" manufacturers (as they are called by the

trade) together with the ruthless price pressure of large buyers, have so disrupted the industry that an old-line manufacturer can make no profit, and so demoralized wage scales that a worker cannot earn a decent living. Substantial, long-established manufacturers fear disaster to the entire industry if the trend is not reversed. Most of them have tried to resist unfair wages and sweatshop conditions, but have had to relax their standards in order to survive. Some, unable to stomach the exploitation of labor, have preferred to close their factories.

Glove-sewers are further aggrieved by that fact that some of the price-slashers are taking advantage of the even worse labor conditions in surrounding cities, notably Amsterdam, and getting their gloves sewn out of town.

What 10% Can Do

President Roosevelt struck at the heart of the Gloversville situation when he asked, in his nationwide radio message, what good was an agreement of 90% of the fair-minded manufacturers of an industry, if the unfair 10% could compel the others to meet the unfair conditions to survive.

Agreement and cooperation among the manufacturers to eliminate demoralizing competition and to restore and stabilize wage scales at a fair rate is, of course, the solution to the glove industry's present predicament.

Already the National Association of Leather Glove and Mitten Manufacturers and the Glove Workers Union are making a determined effort to establish better working conditions through cooperation within the glove industry.

But the question is whether the sincere efforts of the majority of manufacturers to better conditions can succeed without that "cooperation of the government in bringing the minorities to understand that their unfair practices are contrary to a sound public policy" which President Roosevelt promises. Lucius N. Littauer, veteran of the trade, warns that "the glove industry must either voluntarily abandon its reckless and ruinous competition or face within a year or so the appointment of a conservator, equipped with every kind of dictatorial power."

Tennessee Prepares

Business men of 7 states form Tennessee Valley Association to co-ordinate local interests affected by government's development program.

TENNESSEE VALLEY is organized for its new deal. Nearly 3,000 representatives of more than 200 cities and towns in the 7 states that will be affected by President Roosevelt's favorite experiment in

planned economy have formed the Tennessee Valley Association. Its job will be to reduce to an orderly program the chaos of local ambitions converging on the government project and to work out some of the knotty social problems involved. The show will be run by W. H. Mitchell, Florence (Ala.) attorney, president of the association, W. R. Manier, Jr., Nashville attorney, vice-president, R. B. Beal, manager of the Nashville Chamber of Commerce, who will act as part-time secretary, and an executive committee of 5 of the 24 directors representing a wide range of business interests. Committee members are Harrison S. Matthews, real estate operator of Birmingham; J. H. Daniel, clothing manufacturer of Rome, Ga.; B. T. Liddon, attorney of Corinth, Miss.; E. W. Palmer, book manufacturer of Kingsport, Tenn.; J. F. Porter, lawyer and industrialist of Columbia, Tenn. Dr. H. A. Morgan, president of the University of Tennessee, and W. E. Brock, former senator from Tennessee, contacts with the White House, will be active advisers.

People's Enterprise

While there is a small membership fee, present indications are that financial support must come mainly from civic organizations, industry, states, and municipalities in the Valley. Public utility men are not expected to be large contributors. By a heavy vote, their directors and stockholders were barred from acting as officers or directors of the association. There is much bitterness over the rôle that the utilities have played at Muscle Shoals—as these business and professional leaders who came to the organization meeting at Nashville interpret it.

Detail policies have not been worked out. Strong emphasis was laid on the fact that government power generation in the Valley cannot be expected within 3 or 4 years and the May 22 meeting at Nashville devoted considerable time to deprecating the Muscle Shoals realty booms that have set the Better Business Bureaus by the ears.

Problem of Migration

Meanwhile, Tennessee Valley leaders are candidly uneasy about the social changes that are likely to follow the government's move in their direction. They foresee a huge influx of new elements that may be difficult to assimilate, say that the local people plus returning migrants who will be brought back by the promise of jobs can furnish ample hands for any industrial expansion that seems likely, even under the forced draft of the present scheme. And they are afraid of inevitable conflicts in methods of doing business, doubtful of the effect of these changes on the cultural standards of the Valley's predominantly Anglo-Saxon population.

One of the problems to come before the association will be that of devising means to shift the rural population from unprofitable farm lands to more favorable locations. Studies undertaken by the University of Tennessee in cooperation with the federal government show that such shifting is entirely practical under the farm-factory plan of placing industrial employees on small tracts of land within easy driving distance of their jobs.

Farm-Factory Plan

East Tennessee has a number of industrial plants in which this plan has been worked with great satisfaction during the depression. Outstanding among there are the rayon plants at Elizabethtown, where over 70% of the operatives live on farms or in small rural communities in which they tend considerable land. Even the model industrial town of Kingsport has more than 40% of its industrial employees resident on farms and in hamlets outside the city. They have weathered the depression much better than the inhabitants of the mill-owned villages of Georgia and the Carolinas. Tennessee hopes that an industrial upturn will give it a chance to move the mountain farmer from his barren acres to a factory job with a nearby garden to fall back on in slack times. Others suggest that the sub-marginal farmer—particularly the "hill-billy" of Eastern Tennessee—is more ideally suited to work as a guide, assistant forest ranger, or recreation-camp employee, urge that recreation and tourist projects be coupled with the forestation plans likely to dispossess this type of farmer.

Steady Dollar

Washington is likely to create a fund to buy and sell dollars in an effort to steady foreign exchange.

WHEN the United States went off the gold standard the man in the street looked a bit startled and exclaimed "Not really off the gold standard"; the banker was philosophical; the exporter was happy for the better trade advantage on foreign markets; and the American tourist—wild-eyed—rushed to the travel agency to get a ticket home.

In the 2 months which have elapsed, the dollar has fluctuated widely on foreign markets, one day worth 90¢ and the next perhaps only 86¢. John Smith, so long as he received his pay in dollars and spent it at home and curbed a hazy desire to speculate in Canadian dollars or British pounds, found things very little different "off the gold standard." The exporter, however, ran into difficulties. Out-and-out speculators found it profitable to play the exchange market.

There is no sure way to keep the dollar on an even keel without some such backing as the gold standard. Its fluctuations can be somewhat protected from the ravages of speculators, however, if there is direct regulation by the government. Britain tried this after the pound sterling went off the gold standard nearly 2 years ago. A fund was created for the express purpose of buying pounds when they were declining in value and of selling them when they were rising too quickly.

For some weeks there has been discussion in New York and Washington of setting up a similar fund in this country. It would not be the purpose of those administering such a fund to prevent the fluctuations in exchange arising from the legitimate demands of commerce, but to prevent fluctuations caused by speculation or flight of capital.

When Washington announced last week that Dr. O. M. W. Sprague had become "executive assistant" to Secre-

International News

DIRTY JOB—Alfred Hersly, Austrian diplomat and League of Nations seating expert, who has the delicate job of arranging precedence and seating of the delegates to the World Economic Conference.

tary Woodin, it was interpreted by many as a sure sign that Washington planned soon to copy the British stabilization policy, for Dr. Sprague has for years been economic adviser to the Bank of England and he has a thorough knowledge of the operation of the British equalization fund. Besides, Washington has intimated that there is some sort of an agreement with London that the dollar and the pound will work together toward de facto stabilization which will be artificially maintained until these 2, and other key currencies, can be stabilized on a gold standard.

According to Washington, the stabilization plan most likely to be followed in this country is to remove all restrictions on foreign exchange, so that the dollar can arrive at whatever value economic forces take it. Whenever speculation interferes, the equalization fund will become operative.

British Fund Larger

The British fund was about $700 millions when it was established, but recently it has been increased to $1½ billions. Because foreign trade is relatively less important in the United States than in Great Britain it is expected that the United States fund will be materially less than the British.

Under existing law the Federal Reserve Board can undertake the stabilization of exchange but it will require legislation for the government to absorb any losses which may be incurred. Some are of the opinion that the question of the reimbursement could be taken up at the regular session of Congress and that no legislation will be sought now.

Looking at the experience of the British who have been operating their stabilization fund for nearly a year, American bankers and Treasury officials have appraised its virtues and its drawbacks. The plan does not contemplate ironing out all fluctuation in foreign exchange. It simply limits these fluctuations from day to day by making speculation in pounds (or dollars) so uncertain that few people attempt it. If a major demand for a currency sets in, no fund likely to be created will be large enough to curb it. And there is no desire on the part of a government to prevent these major moves. Only when a currency remains relatively stable for a considerable period of time can the value at which it should eventually stabilize be determined.

Brazil May Be First

If future trade is going to be on an "eye-for-an-eye" basis, our first negotiations may be with Brazil.

THE wary exporter is watching for some announcement from Washington relating to Brazil. In itself it may be im-

portant, but its implications will mean much more.

Interest has been stirred by the evident spread of the "if-you-buy-from-me-I'll-buy-from-you" philosophy of carrying on foreign trade. That was the spirit behind the Ottawa conference of the British Empire last summer. It is the spirit in which a good many of Britain's recent trade pacts have been made. It seems to be the spirit which will dominate the London meetings—now only 2 weeks away.

Brazil is in the picture for several reasons. No doubt the fact that Britain within the last few weeks has successfully negotiated a pretty smart treaty with Argentina has had something to do with it. Brazil and Argentina are 2 of the largest Latin American markets.

Coffee Gold

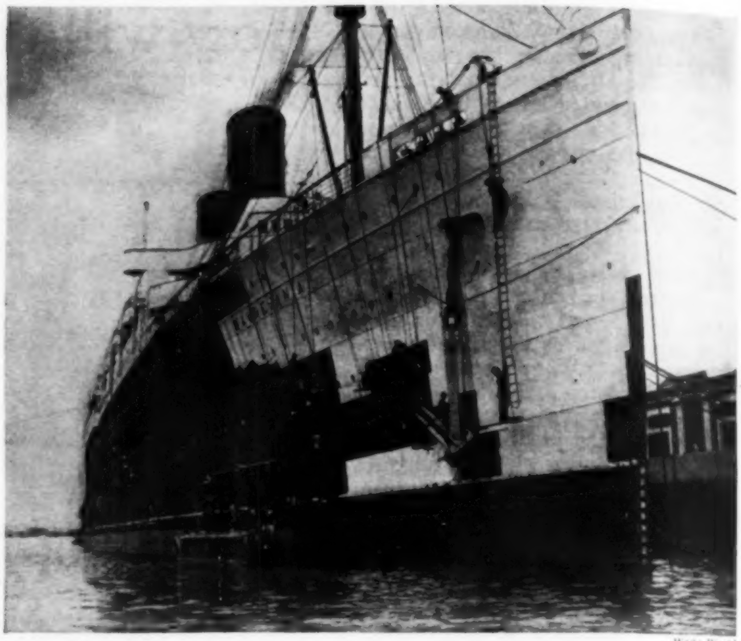
Much more important is the fact that the United States buys far more from Brazil than she sells there, a circumstance true with only a few foreign customers. Imports from Brazil in 1930, for example, were worth more than $126 millions, but the Brazilians took only half that amount in American goods. Last year our purchases from Brazil were worth only $83 millions, but we sold only $29 millions worth of exports to the Brazilians.

It wouldn't be fair to the Brazilians not to admit that they pay a good deal to the United States to service the loans we have made to them—that is, they paid a good deal until the loans went into default. And it is true that no small portion of the transportation of products and passengers between the 2 countries is handled in American ships. It is still the claim of American exporters, however, that a good deal of this favorable balance has been utilized by the Brazilians to meet service charges on their debts to Britain.

Colombia Also Produces

More than 85% of Brazil's large exports to the United States each year is coffee. This trade with the United States often amounts to more than 35% of all Brazil's foreign trade. The United States, however, is not dependent on Brazil for all coffee imports. The milder coffees of Colombia and Central America are essential for blending to meet consumer tastes.

Because the United States has a generally favorable balance of trade, and because there are only a few countries in which we buy more than we sell, there is a certain reluctance on the part of well-informed members of the foreign trade department in Washington to encourage too stringent reciprocal bargaining. If it is going to come, however, it would not be at all surprising if it would be heralded as a general policy by a special deal with Rio de Janeiro. That is the reason for the special interest now in Brazil.



Wide World

SUMMER SUIT—The "Mauretania" gets a coat of white paint over her conventional Cunard black for the summer cruise season. Only once before, as a hospital ship during the war, has she worn white.

Germans Want New Debt Deal

Creditors, now in Berlin, know their investments are frozen. Question: Shall Germany be allowed to pay "in kind," and to what extent?

BERLIN—Hitler's rise to power, the decline of Germany's gold reserves to a bare 8% cover on outstanding currency, the new flight of (Jewish) capital from Germany, the continuing drastic decline in exports—these are the developments which have led up to the most recent conference of Germany's creditors, now meeting in Berlin. To these creditors Germany owes more than $2 billions in long-term loans. Until now the service charges and amortization have been paid. Sitting in conference in Berlin this week, creditors heard Dr. Hjalmar Schacht, head of the Reichsbank, ask for "relief" from these payments "which Germany is no longer able to meet."

It is no surprise meeting and it is not without precedent. More than a year ago the correspondents of *The Business Week* in Europe predicted that it would come in the spring of 1932. It might well have come then. It didn't. Here are 3 good reasons for the delay. Despite the barriers to foreign trade, Germany's favorable export balance last year was maintained at a sufficiently high level to cover most of the service charges on these debts, though it dropped from $650 millions in 1931 to $260 millions in 1932. So long as it was favorable, however, Germany had a chance to maintain payments and so to keep the goodwill of creditors.

There was a second reason for the delay. Under Chancellor Bruening and later under von Papen, Germany made striking progress in readjusting domestic economy. This encouraged Germans to bring home the money they had deposited abroad, especially when the financial situation in Britain, the United States, and neighboring countries became uncertain. This return flow of capital gave the Reichsbank an unexpected supply of foreign exchange with which to meet interest charges abroad.

The third reason for the delay was the successful conclusion of the Lausanne conference. Germany was obviously using the threat of a transfer moratorium on long-term obligations to frighten some creditors into supporting the claim for reduced reparations. As soon as this point was won at Lausanne, it became a matter of pride for Germany to continue interest payments on private debts "as long as possible." This period, Germany now claims, is ended.

Dr. Schacht has at least 2 significant factors to support his contention that Germans no longer can pay on these

loans. The first is the export balance. In the first quarter of this year this has dropped to $27 millions, compared with $56 millions in the last 3 months of last year, and with $86 millions in the first quarter of 1932. Not only will this $27 millions fail to cover the amounts due abroad, but there is no sign yet that trade barriers will be eased and that Germany will be able to increase foreign sales.

German Money Excited

Hitler has brought about the second factor. Since he came into power, Germans, despite their very general approval of him, have ceased repatriating their investments abroad. Perhaps this is only temporary, and due to the uncertainty of what Hitler may plan and be able to accomplish. But German Jews have no doubt that their money can be more safely invested abroad and they are, in many cases, getting vast quantities of it out of the country.

Germany again has tactical reasons for calling the conference now. The United States has threatened to leave the gold standard for more than a temporary period. Germany has carefully maintained the mark at an artificial gold level because of the advantage in meeting foreign payments and because any depreciation would almost certainly start a panic among Germans who have vivid memories of the inflation of 1924. For the time being, official Germany feels that depreciation of the dollar might further decrease the volume and value of German exports, and a transfer moratorium is the only measure of self-defense left.

To this must be added the fact that the present government is probably preparing the way for a drive against high internal interest rates. It would be difficult to demand further heavy sacrifices from domestic savers and investors if foreign capitalists are still to be paid high rates of interest.

Outcome in Doubt

The outcome is still a matter of speculation. Most authorities expect that the matter will be shelved for a time with a "provisional standstill" agreement which will run until after the results of the World Economic Conference are known. Certainly with a gold reserve of only 373 million reichsmarks (compared with 857 millions a year ago, and with 2,371 millions in 1931), Germany has nothing beyond current income to meet these payments, and current income is not adequate.

It is possible that the framework of a general transfer moratorium will be worked out which will incorporate the former "standstill" on short-term debts (*BW—Feb3'32*). While the Economic Conference is in session, and perhaps for a year or until recent indications of business recovery become a little more general, Germany will meet all foreign obligations on a uniform basis. In every case this is likely to mean that payments will be made by Germans in marks into accounts established in Berlin for the creditors, and frozen within the country.

It is not a pleasing situation. More than $2 billions of American money will be frozen in Germany. The British have considerably less, but British banking houses are probably less able to stand the loss of this income just now. Holland and Sweden, among the creditors of 9 other nations, are much more concerned than, for example, the French, whose investment in Germany is comparatively small.

There is one more angle to the present conference. However the problem is settled for the present, Germany is no doubt going to offer as her principal trade bargain at the London conference the opportunity of collecting on these debts "in kind." Creditors will have the opportunity of collecting just as fast as they are willing to admit German exports. In the last 2 years of extreme nationalism, this offer got Germany nowhere. If a new deal really comes out of the World Economic Conference, Germany may be able to resume payments on this international debt.

Ships Will Burn Coal

London has raised oil duties to help the railroads. Oil-burning coasters are protesting.

LONDON — Chancellor Chamberlain's proposals for taxing heavy oils have loosed a hornet's nest about his ears. Chief among the protestors are the coast line shipping companies. These say that the government has handicapped them by showing favor to the railroads and the truck lines through legislation which in itself ignores the unique position of the coasters. Oil duties will be greatly increased. Most coasting vessels are oil burners.

The original purpose of the oil duties was to help to adjust the grievances of the railroads against the trucks, but the duties are also serving as a stimulus to the "back to coal" movement. The large Cardiff coal exporting firm of Gueret, Llewellyn & Merrett has announced in pursuit of this movement that it will in future charter no motor or oil-burning vessels for its business. This firm is the exporting branch of the Welsh Associated Collieries, Ltd., British Briquettes, and associated concerns, and deals with about 25% of all the Welsh coal producers. Nearly 225 vessels have been forced to lay off, and most of these are coal burners which have been unable to compete with the oil burners. The oil duties promise—or threaten, according to the point of view—to readjust this position.

Business Abroad

New tariff tensions. Nations are jockeying for favored positions at World Conference. Berlin breaks with Vienna. Paris agrees to 4-power treaty. London reports better business. More claims that Japan is dumping in foreign markets. Brazil may thaw dollars.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—More of the conflicts which will baffle the best efforts of the negotiators at the World Economic Conference came to light this week. And with the opening of the conference less than 2 weeks away, more hopes were blasted.

Most striking was the open rupture which developed between Berlin and Vienna. Only a year ago there were still dreams of a customs union between Germany and Austria. This week, antagonism between Hitler and the defiant Dollfuss government in Vienna came to a head. To weaken the power of the Austrian Chancellor by crippling tourist business (half of Austria's tourists are Germans), Hitler raised the visa fee to the outrageous price of about $270. Feeling is running high in both countries and a trade war may result.

In London, Lancashire textile executives demanded that the British government do something at once to protect them in Dominion markets from the ravages of Japanese competition. With the tariff truce in effect, London's hands are tied. But India notified Tokyo before the truce that the present trade agreement would be terminated as soon as the required 6 months' notice had expired, and the Japanese are genuinely scared over the loss of this great market. And more recently the British notified the Japanese that most-favored-nation privileges in West Africa will be terminated at the end of the required 1 year's notice. These 2 developments are typical of the antagonisms which the World Conference will need to iron out if any sort of foreign trade revival is to get under way. Prospects are anything but rosy. There may be no new trade barriers after the London conference, but no sweeping reductions should be expected very soon.

Special Interpretation

Before any international conference, many events must be interpreted with the full understanding that each nation is jockeying for an advantageous position. Perhaps this jockeying is behind the rumor this week that Italy is maneuvering a customs accord with Hungary and Austria. Certainly it has a part in the efforts of France to come to some trade agreement with the Soviets. And it is behind the agreement by France—after long political debate—to back an only slightly revised version of the Mussolini 4-power pact.

Germany's long-term creditors were slow in getting started on their conference in Berlin, so it is not likely that they will be able to announce results for another week. And then, these are sure to amount only to a transfer moratorium couched in careful terms.

Except in Germany, stock markets have followed the lead of Wall Street. Government bonds have been weak in France. Industrial activity is slowly picking up momentum. The British are particularly cheered by spreading signs of improvement.

Germany

Open rupture with Austria darkens Germany's trade prospects in southeastern Europe. Bankers discuss transfer moratorium.

BERLIN (*Cable*)—Germans were far more interested this week in the rupture in relations with Austria than in any out-and-out business development.

Trouble has been brewing for months. The present government in Austria is in very much the position that the Bruening government was in a year ago. It is in power not because it has the whole-hearted support of a majority but because no opposition is able to muster a majority to oust it.

Major opposition in Austria is the domestic Nazi organization which copies its neighbor and dreams of a Fascist type of government for all Austria. The Chancellor, however, has so far succeeded in retaining his power, though not without taking some rather drastic measures against the local Nazis.

It was in retaliation to these that Chancellor Hitler this week decreed a virtual halt of all German tourist traffic to Austria by levying a 1,000-mark visa charge for Germans visiting Austria. Since this is more than $270, not many Germans are likely to cross the border in that direction, though Austria, with its mountain resorts and the attractions of Vienna, usually draws thousands of Germans each summer. Hitler, it is said, realized that nearly half of Austria's tourists each year are Germans. If they don't come, business will be bad, and the position of the present Chancellor in Austria will be weakened.

Sentiment is divided in Germany. The jingoists are delighted. They see only the reprisal angle. The more serious are worried. A year ago there was the dream of an Anschluss with Austria. Both Germans and Austrians wanted it. To the Austrians, it was one way of getting advantages in a vast market. To the Germans, it was an opening wedge in the great trade region of Southeastern Europe.

Berlin Breaks With Vienna

That dream is now pretty much blasted by the new conflict between Vienna and Berlin—unless Chancellor Dollfuss falls on the issue and the Nazis come into power. And the conflict with Austria is likely to affect adversely the German trade position in all southeastern Europe. This would be even more serious to Germany than it would have seemed a year ago, for recently the British, with their new 2-country trade agreements, have taken away fat portions of many of Germany's best markets in the Baltic region.

More important to many foreigners than this Austro-German rift is the creditors' conference which opened in Berlin this week. Representatives of banks in nearly a dozen nations which were responsible for long-term bond issues to help Germany in the past have gathered at the invitation of Dr. Schacht, head of the Reichsbank, to discuss a transfer moratorium. It seems impossible that Germany—with a gold reserve so small it provides barely an 8% cover on outstanding currency—and with a declining trade balance, can any longer meet interest payments in foreign currencies. The outcome is likely to be announced early next week. Informed Berliners believe that creditors will be offered 4% guaranteed mark bonds for all interest which cannot be paid outside Germany (page 24).

France

France agrees to 4-power pact, eases European worries. Bourse timidly follows Wall Street.

PARIS (*Wireless*)—The final struggle over the budget, which was passed without balancing, and the agreement by the Daladier government—despite the vigorous opposition of M. Herriot—to support the 4-power pact with only minor revisions occupied French attention this week.

There is little satisfaction over the budget. Early in the week, merchants throughout France staged demonstrations against heavy taxation which the new budget in no way relieves. There is no provision for payments on war debts. The uncovered deficit will need

to be handled from month to month or as emergency demands.

The decision of the government to support the 4-power pact followed a long and serious debate in which M. Herriot stoutly protested against the treaty but M. Daladier more persuasively talked for it. France demands only slight rewriting of the clauses referring to "revision of the treaties." This is to appease the Little Entente and Poland, valued allies of France. By stipulating that Britain, Italy, Germany, and France can confer only on those matters which relate to them, and that if a third party is involved it must be invited to the consultation, France hopes to win the approval of her satellites.

Recent gains in iron and steel activity have now spread their benefits to the coal industry. The cotton market in Lille, however, reflected slackness this week. The Bourse has timidly followed the new burst of buying in Wall Street. Stock prices are generally up, but government bonds are weak. The dollar has not been strong.

Great Britain

More signs of industrial improvement. More people buying stocks. Britain is ready to take every advantage when recovery begins.

LONDON (*Cable*) — Confidence that business, naturally or under big doses of artificial stimulation, is going to continue on the upgrade is having its influence on the British outlook.

Stock exchange trading is attracting a wider following each day. Interest has already spread from the narrow list of gilt-edged securities to which it was pretty closely confined during the depression. Industrial shares have become popular and there is a growing interest in commodities. Even the new issue market has become active again.

It is not easy to find signs of spectacular increases in industrial production, but business is quite obviously gathering momentum which soon will become visible in the key indicators. Observers with their eyes on the all-important northern regions where much of Britain's industry is located are encouraged by signs of returning confidence. One especially significant development is the growing activity in the clothing trades serving working and middle class customers. Not only is there more business; there is better demand for garments of higher quality. This is always a significant index of better times.

There are further occasional signs of recovery. A colliery owned by Amalgamated Anthracite Collieries, Ltd., in West Wales, is about to reopen after being closed for 7 years. At the time of closing the pit employed 750 men.

In the Liverpool region, a big revival of building has set in. What is claimed to be the finest margarine factory in the world has been opened on the Cheshire side of the Mersey. It occupies 7½ acres, will employ 600 workers. A new factory for the manufacture of industrial alcohol is being erected at Garston.

Good progress has been made with the installation at St. Helens of special machinery for the manufacture of damp-proof transparent paper for wrappings (similar to cellophane), hitherto imported from the Continent. This new industry is the outcome of an agreement with a Belgian company. Under the plan, the St. Helens factory will supply both the home and Empire demand. More than 1,000 men will be employed when the plant is in full operation.

The signs of recovery mentioned are admittedly casual, but they do indicate the sustained optimism which has marked Britain this year is not without cause. If the World Economic Conference—due to convene here in less than 2 weeks—can do its main jobs of stabilizing currencies, lowering trade barriers, and freeing exchange restrictions, Britain feels that it is now equipped as never before for a rapid advance. There are still doubts about what the conference will be able to accomplish, but on the whole, the outlook is optimistic.

Latin America

Good rumors that Americans will get better treatment in Brazil's foreign exchange consignments.

THE only outstanding business news from Latin America this week concerns Brazil, and it is distinctly optimistic.

For some time there has been the feeling in the United States that American creditors have not received their full share of the limited payments of commercial bills by the Brazilians (page 23). They have pointed out repeatedly that the flow of trade between the 2 countries always favors Brazil because of America's huge purchases of coffee.

The Brazilian delegates who have been in Washington as the guests of President Roosevelt have declared that there has been no such discrimination. They told New York bankers the same thing this week. But it was significantly pointed out that Brazil was meeting the final payment on a huge British loan in June and that thereafter more funds would be available for commercial bills due Americans.

These same Brazilians are due to sail within a few days for London where they will represent their country at the World Economic Conference. Before long it is confidently expected in Wall Street that some announcement will be made that Brazil's creditors in the United States are likely to get a little more prompt payment on bills due. In fact, there is one optimistic group that looks for an unfreezing, under a schedule to be announced and to run over a period of time, of a lot of American credits now resting in Brazilian banks. Exporters are watching the market closely. Such an announcement would push Brazil into the "good prospect" list.

Far East

Japan losing trade advantages in Orient. China lacks a leader to negotiate a truce in the North.

IN the general jockeying for positions of advantage before the World Economic Conference, Japan is not coming out at the long end of the bargain. Two of her best foreign markets—India and China—have promised or have taken action to make it more difficult for Japanese products to enter. The China market has already cut its imports of Japanese goods to about half the total of 5 years ago but Japan has partly covered this loss with trade advantages in Manchukuo which may improve quite rapidly under Japanese police protection and Japanese business initiative. The India market is probably lost, for the trend of feeling in New Delhi is toward cooperation under the Ottawa accord rather than toward a closer trade relation with Japan.

Besides this loss of foreign markets, the threat that the dollar will be devaluated and that Europe and the United States will combine to coerce Japan into currency stabilization at a higher value for the yen has caused some of the country's leading executives in the last 2 months to urge world cooperation on the statesmen in Tokyo.

Peiping Lacks a Leader

In China, there is some sympathy for the Japanese stand outside Peiping. Whatever the status of truce talks, it is evident to informed Chinese and foreigners alike that there is no responsible Chinese government to negotiate for the troubled region in the north. This same lack of leadership is responsible for the disorganization in all North China and for the marauding which is as much despised by responsible Chinese as by foreigners who are trying to do business in the region with Chinese permission but without much police protection.

Trade continues to be fairly active with Central and South China. Anglo-Indian trade is good and Australia is profiting from the better prices for staple exports.

The Figures of the Week

No break yet visible on the horizon of basic industries. Construction volume already exceeds April. Steel activity higher than 2 years ago. Coal production steady; electric power consumption still expanding. Wholesale prices reach new highs for the season; retail prices lag.

WITH construction finally joining the ranks of basic industries that have shaken off the stagnation of subnormal activity, a more substantial basis has been established for firmly entrenching the recent gains. Nineteen business days in May have been recorded, and already the volume of contracts exceeds the entire month of April. In the residential and public works divisions April has been surpassed, and before the final contracts are written, non-residential structures are certain to leave April far behind. In the past 8 or 10 years, May has seldom outdistanced April.

For the first time in more than a year, residential building has rolled up a daily rate of more than $1 million. Each week reveals the increasing strength of this major branch of the construction industry. It alone showed no temporary weakening during the third week of May, thus permitting the 3 weeks' total to reach $19,357,600, a gain of 33% over the April rate and within 0.3% of last year's rate.

Even public construction took on new life in May following weeks of virtual fast awaiting the decision of the federal government. Awards through May 22 total $15.3 millions, a gain of 47% over the April rate, but 68% below 1932.

Non-Residential Building

Non-residential building awards rank first in volume with a total of $23.5 millions, but the pace of the first half of May was not maintained, and the rate of gain over April fell to 30%.

Aggregate contracts now run 35% ahead of the daily rate of April. Awards of $58.1 millions for the first 19 business days are nearly 3% ahead of the $56.6 millions scored during the entire month of April.

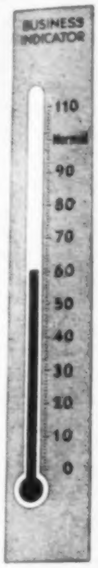
There is very little indication that the steel industry is wavering in its headlong climb to levels not frequented in 2 years. Now that 40% of capacity is exceeded, the industry reaches the volume of May, 1931. To be sure, May was then witnessing a seasonal decline from the peak of 57% in March, but this is the first time since then that the downward trend has been reversed. A counter seasonal rise from 14% at the close of March to 42% at the close of May provided a cheerful atmosphere for the recent meeting of the American Iron and Steel Institute.

Expressions of satisfaction on the improvement in orders and prices were on the lips of presidents of every major steel company. Mr. Schwab was at hand with his customary optimism. The most amazing feature of his address was his advocacy "as a matter of social justice and sound business" of a scheme of unemployment reserves, to be established voluntarily by the industry. Mr. Lamont issued a warning note on the significance of the proposed industrial control bill, pointing out the "extraordinary injection of government in private business," the questioned wisdom of lodging such broad powers in the federal government, the doubtful constitutionality of the licensing clauses, and the problems sure to arise from the varying interpretations of the labor clauses.

That opposition to outside control should become more pronounced when

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1928-1932)*
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*60.6	†59.2	57.7	
PRODUCTION				
Steel Ingot Operation (% of capacity)	42	39	23	62
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$2,728	$2,476	$5,095	$16,699
Bituminous Coal (daily average, 1,000 tons)	*842	847	716	1,221
Electric Power (millions K. W. H.)	1,494	1,483	1,425	1,588
TRADE				
Total Carloadings (daily average, 1,000 cars)	89	89	86	142
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	61	61	62	95
Check Payments (outside N. Y. City, millions)	$2,528	$2,621	$2,680	$4,875
Money in Circulation (daily average, millions)	$5,815	$5,863	$5,439	$4,793
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.68	$.71	$.57	$.97
Cotton (middling, New York, lb.)	$.091	$.085	$.054	$.141
Iron and Steel (STEEL composite, ton)	$28.59	$28.59	$29.57	$33.41
Copper (electrolytic, f.o.b. refinery, lb.)	$.071	$.068	$.051	$.117
All Commodities (Fisher's Index, 1926 = 100)	61.2	60.6	60.2	82.7
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,224	$2,272	$2,034	$1,326
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$16,329	$16,346	$16,862	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,704	$4,697	$5,713	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,648	$3,724	$4,339	......
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$563	$618	$393	$3,192
Stock Prices (average 100 stocks, Herald Tribune)	$97.16	$94.21	$76.48	$140.51
Bond Prices (Dow, Jones, average 40 bonds)	$83.12	$81.98	$67.25	$89.72
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange	1%	1%	2.5%	3.9%
Interest Rates—Prime Commercial Paper (4-6 months) New York City	2-2¼%	2-2¼%	2¾-3%	3.9%
Business Failures (Dun and Bradstreet, number)	459	429	708	510

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

conditions within the industry give indications of improving is not surprising. Then the evils of unfair competition press less hard on the larger companies, which alone have the facilities to cope with volume requirements. But executives of the Institute at a closed meeting voiced approval of the "principles" of the federal program and prepared to draw up a code of operation.

Motor production continues to maintain a fast pace as retail sales, particularly of private passenger cars, give no signs of abating. Complete returns by the R. L. Polk organization place April sales of passenger cars at 119,909, a 52% gain over the 78,741 sold in March, and within 1% of the April, 1932, sales. Truck sales were perceptibly improved, though the number involved is small. Sales of 17,301 were reported against 9,934 in March, a 74% gain. In the first 4 months of 1933, some 347,935 passenger cars and 48,651 trucks passed into the hands of consumers. This compares with 383,591 passenger cars and 63,992 trucks in the same period of 1932.

Official production reports for the same period are now available for comparison. In the United States, April production of passenger cars, trucks, and taxicabs numbered 181,029, a 53% increase over the 118,609 produced in March. Even April, 1932, has been left behind to the extent of 22%. It is significant that the better showing of motor production has been chiefly in the passenger car division. In the first 4 months, passenger cars numbered 452,876 against 413,022 during the same period of 1932, while trucks leaving the factories totaled 82,423 this spring against 90,798 last spring.

Miscellaneous buyers are still active. The same holds true for tin plate, which *Iron Age* estimates is operating at 90% of capacity.

Steel exports in April reached the highest total in 2 years, exceeding 100,000 tons. The bulk of exports continue to represent scrap, with Japan the best customer.

Soft Coal Above 1932

Soft coal production is holding well above 1932 levels, but hard coal remains rather sluggish.

Power production has closely followed the upward trend of steel production since the end of March, and is also out of line with the normal seasonal reaction that we have come to expect in the spring. The New England district now uses 11% more power than a year ago, indicative of activity in textiles and shoes. The Pacific Coast region is the only section not showing greater activity than last year, measured by power consumed.

Freight shipments for the week ending May 20 now stand 3.1% above a year ago, though the gain over the previous week was negligible. The important group, less than carlot freight, has not surpassed last year's volume, though miscellaneous freight is expanding favorably.

Check volume was 6% lower in the 140 cities outside of New York during the week May 24, but this is the expected week to week fluctuation. New York City check transactions dropped over 13%, but are 13% higher than a year ago. Among important financial centers, the change in Detroit is outstanding. For weeks following the extensive bank holiday, check business averaged but $18 millions. During the week May 17, this volume jumped to $73 millions, and the following week reached nearly $82 millions.

Currency outstanding is slowly declining as money finds its way back to the banks, probably via the postal savings system. So large have the funds become, that the President has authorized the postal system to invest its holdings in $100 millions additional government bonds or other securities. Growth of postal savings in "native American" districts and the rise of the average account from $376 to $508 are disturbing bankers throughout the country.

Wholesale Commodities Soar

Wholesale commodity prices, particularly of the outstanding items, such as covered in Moody's daily index, are soaring to new heights. The non-ferrous metal markets found increases general, with copper chalked up to 7¾¢ a pound delivered and sellers reluctant to part with the metal. In the grain markets, a similar boiling is apparent, with volume large and new highs established. Cotton passed the 9¢ a pound mark in spot markets, and reached 10¢ in distant months. Hide prices have more than doubled since March, causing shoe manufacturers no end of alarm. Rubber futures reached 7¢ a pound.

On the other hand, retail prices are moving more slowly. Commodities entering the budget of the average wage earner during April showed a slight downward price trend, according to the National Industrial Conference Board, in its monthly cost of living survey. The first indication of stability in retail food prices is significant. Perhaps a bottom has been reached even in retail prices.

The Financial Markets

Prosperity returns to brokerage houses, stocks advance in sympathy with commodities. Farm income in 4 months is $1 billion more than last year.

Money

WHATEVER may be true of the rest of the country, Wall Street sees its depression definitely at an end. Trading is now assuming a volume and violence that partakes of the days of 1929. Clerks and office managers have been called back by brokerage firms. Customers' rooms have been reopened, and telephone lines are being burnt by the hot tips of customers' men.

Transactions on the Rubber Exchange in May were at an all time record. The Hide Exchange has been doing the proverbial land office business. On the Sugar and Coffee Exchanges the volume has been reaching record proportions and all positions are active on the Wheat and Cotton Exchanges. A seat on the New York Stock Exchange has recently been sold at $164,000, an advance of $14,000 from the last previous sale, and the highest price since September, 1932.

Does this activity on the exchanges, accompanied by impressive price advances, presage a genuine nationwide industrial recovery?

It should be remembered that since the fateful days of 1929 the stock market has made several starts, some of them even steeper and more rapid than the one now under way. The early months of 1930 showed impressive gains, followed by a slump to new lows late in June. The market held these lows for 2 months, then declined for the rest of the year. In 1931 the first 2 months saw an impressive recovery succeeded by a steady slump to another depression low in May with a subsequent rise for a month, a long chute to another new low in September, a short upward spurt, and again a decline that continued through the first 6 months of 1932 to still another new June low. Last July and August witnessed a sharp rise, very similar to the current one, but the top was still under the lows of a year earlier.

The basic difference between the several spurts of the last 3 years and the one in progress now is that a large group of commodity prices have led the current advances. The stock market to some extent has become a mirror reflecting the position of commodity prices.

Underlying Factors

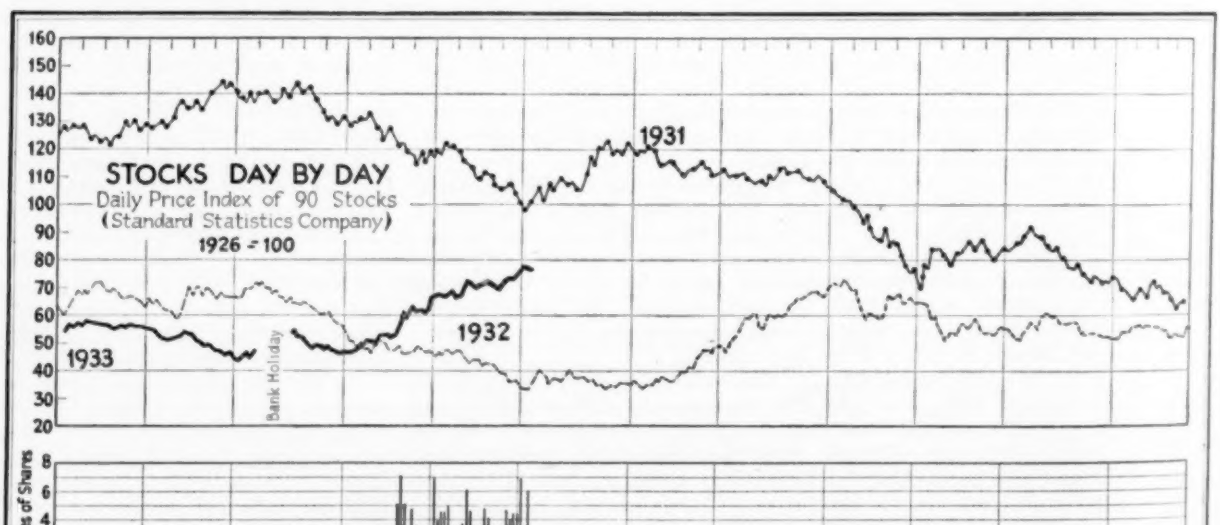
It would seem, therefore, that in order to appraise the permanence of the present situation we must continue to keep our eyes on the underlying factors, especially industrial activity and commodity quotations. On agricultural commodity prices the stock market has been bullish, but statistics of the Department of Agriculture have been bearish.

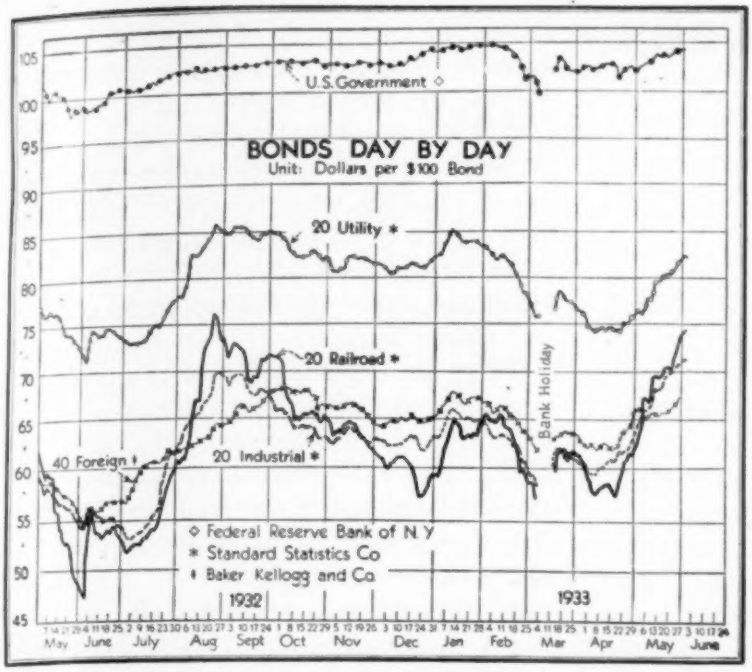
Take wheat. The acreage in 25 countries is reported 7% below last year with the United States showing a drop of almost 14%. Moreover, weather conditions have combined with acreage reduction to reduce wheat estimates here. But stocks of wheat available for export or carryover in the principal exporting countries total 774 million bushels, or about 50 million bushels more than last year. Moreover, wheat deficit countries call for much less wheat than in recent years because of encouragement of domestic production by tariffs, subsidies, exchange restrictions, etc. World shipments for the past year have been 150 million bushels less than a year ago. The advance to 72¢ in Chicago for nearby deliveries therefore is predicated wholly upon the probability of governmental action to raise prices in accordance with the farm relief legislation.

Farm Income Up

The same story may be told of cotton, which has now risen to above 9¢ for nearby deliveries. Corn, the most important crop of the Middle West farmer, is now quoted at 44¢ against 20¢ for the first month of the year. But corn is sold in the form of hogs. Where the American hog farmer averaged 20 foreign customers for pork in 1926, he now has only 8 left according to export figures for 1932.

Gloomy as the outlook is for many commodities when examined statistically, for the present it must be remembered that the advance in corn has increased the income of the corn farmer 84%; wheat's boom has jumped the wheat farmer's income by 37%. For the first 4 months of 1933 the farmer's cash income was $1 billion higher than for the same period a year ago, the first favorable comparison of this kind since 1929. Though it would be erroneous





to place too much emphasis on the spring months, which are decidedly less important than the autumn season, the interruption to this long downward trend is significant and highly encouraging.

In sum, the advance in prices is untenable based upon the statistical position of agricultural commodities, and from that standpoint one must be wary in laying too much faith on the advances in stocks. But new imponderables have also entered the field. When Wall Street is rational, it is bearish. For the moment it has shoved aside all reason and is placing its hopes in the faith that it has in the "new deal."

Bonds

SPURRED by advances of commodity and stock prices and the prospect of continued operations in the open market by the Federal Reserve System, the bond market has been going higher into new and firmer ground. Secondary bonds especially have looked strong. For example, investment trusts that have issued bonds, preferred stock, and common stock based upon their security holdings, now show assets in excess of the bonds and preferred stocks. In consequence, senior and junior mortgages of the investment trusts have enjoyed an exceptional ride on the market. Further advances in their securities will now go largely to their common stocks.

Foreign bonds have continued to move sidewise, but rails, utilities, and industrials have surged upward, and top-grade bonds have remained entrenched on a high plateau.

Stocks

THE security market continues to boil on news of inflation. The Administration's move to "repeal" the gold clause, and other inflationary developments such as the continued open market operations of the Federal Reserve System, the decline of the dollar abroad, and the progress of the industrial recovery bill, have made for continued excitement on all security exchanges. The ticker was behind as much as 40 minutes during several days' trading.

On the basis of all shares listed on the Exchange, stocks have appreciated $5 billions since the end of April, an advance of 25%. The gain in May is particularly impressive because this is the first time in 5 years that market values have shown a gain in that month. The May advance followed a 35% gain in April, for which month the Stock Exchange reported an advance of almost $7 billions.

Watching Their Steps

Wall Street ignored a lot of bad news. The statement of General Motors for the first 3 months showed earnings of 11¢ a share against 17¢ during the corresponding period last year. The new Securities Act is being studied and Wall Street is cautiously giving orders to its sales forces that no securities are to be recommended by letter, pending further clarification of the meaning of the measure. Wall Street did not know whether to be bearish or bullish on the Supreme Court decision indicating that the bonuses paid by the American Tobacco Co. are to be reviewed to determine whether they constitute a misuse of the company's money.

Change in Dating of The Business Week

Commencing with the issue of June 10th, The Business Week will be dated on Saturday instead of Wednesday.

There will be no change in closing dates, publishing schedule or mailing dates.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

JUNE 7, 1933

No Banking Is Private

THERE is some justice in peppery Senator Glass's remark that the inquiry into the affairs of the world's greatest banking house has been a circus, "lacking only peanuts and pink lemonade." It has indeed been a show, packed with the glamor of great names and big money. The Senator's solicitude for the Morgan firm, however, seems a little unnecessary, for apparently Mr. Morgan and his partners have not minded their examination. They have testified cheerfully, confident that their record is clean.

So it is, in the sense that they seem to have kept not merely within the letter of the law, but well within the long-established rules of the game.

The underlying purpose of the inquiry, however, is not to discover whether certain players cheated. The real object is to gather every scrap of available knowledge in order to formulate an intelligent judgment as to whether the rules of the game need revision. That is what raises the proceedings to a dignity above that of a mere spectacle.

Already it is plain that the income tax laws, particularly as relating to capital gains and losses, should be changed.

That is important, but it is not the central issue. The fundamental question is whether the investment market needs regulation, or can be regulated, or if so, how.

Commercial banking, around which we have thrown innumerable restrictions, is the machinery for carrying on the daily business of the world. But investment banking goes deeper. Its function is to provide the channels through which the reservoir of savings accumulated in commercial and savings banks, in life insurance funds, and in other pools, flows into business.

The responsibility of the investment bankers is greater than that of any other group of financiers. Ultimate safety of the public's savings depends on them. Even heavier is the duty of guiding the flow of capital. The investment banker can overexpand some industries at the expense of others; he can starve essential enterprises. He can whip up speculation; he can help subdue it. Through foreign loans he can build international trade, or help strangle it. He can promote world peace, or he can breed and finance wars.

These are tremendous powers to be left to the conscience of private individuals, entirely unsupervised. We have seen what use is made of them by a house with the proudest traditions. We hope the inquiry will go on to develop just how they were exercised by houses not so old, so proud, or so scrupulous.

What ought to be done when all the evidence is in? We do not know. That is the object of gathering testimony. Congress must collect all the facts about the investment business of the country and how it has been conducted. Not until then will it be possible to act intelligently. Possibly not then, but certainly not before. Meantime, the process of probing into "private" business needs no apology or defense.

For it isn't "private" business. It may, for convenience and through persistence of custom, be called "private banking" for a long time to come. But anything so vital to the economic structure of America and the world, anything which affects so profoundly the jobs and lives of every citizen, certainly is touched with a public interest, and is a proper subject of inquiry.

That is the spirit in which the work should be approached. It is not a punitive expedition. It ought to dig deeper into principles. Its aim should be to preserve the essential good of a great securities market, destroying, if it be possible, some of the evils which have grown up around it with the consent and connivance of all of us.

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